Franc debate

Currency speculation may be good for you

Page 15

Faltering steps

Russia's fragile economics and brutal politics

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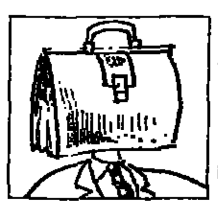

Sculptors in jelly

The growing appetite for corporate re-engineering

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Keys to the environment

Farmers and fishermen battle over Florida Bay

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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JULY 28 1993 — D8523A

Fyodorov will try to overturn rouble reform

Boris Fyodorov (below), Russia's deputy prime minister in charge of finance, returns from Washington today to urge that the central bank's cancellation of pre-1993 roubles be overturned. Foreign governments and international financial institutions administering a $44bn foreign aid package view the currency debacle as a crucial test for Mr Fyodorov. As leading minister for financial reform, he must reassert control of the central bank and other financial levers. Page 16; Currency change puts pressure on republics, Page 2; Some roubles more equal than others, Page 15

US steel complaints: The US International Trade Commission discarded 40 of 72 steel complaints brought by the US industry against imports from 20 countries, saying the "dumped" and subsidised steel had not injured American producers. Page 16

Bosnia carve-up: Talks began which could lead to the ethnic division of Bosnia as Bosnian president Alija Izetbegovic held face-to-face talks with Serb and Croat rivals for the first time since January. Page 2

Lloyd's credit rating queried: Standard & Poor's, the leading US credit rating agency, has queried the quality of the financial security of the Lloyd's of London insurance market. Lex, Page 16

German interest rate fears: The peseta, escudo and krone came under some pressure in the exchange rate mechanism as dealers remained concerned that the Bundesbank might not cut interest rates at its council meeting tomorrow. Page 16; From market demons to policy saints, Page 15; Currencies, Page 34

Deutsche Bank, Germany's biggest bank, expects 1993 profits at least to match last year's level, in spite of poor economic conditions and high credit risks, according to chairman Hilmar Kopper. Page 17

Reuters Holdings, the international news and information group, still expects double-digit revenue growth this year, helped by the impact of sterling's devaluation. The group, which has announced a £350m ($524m) share repurchase scheme, said six-month pre-tax profits rose 14.6 per cent to £214.7m. Page 17

Elf chief may go: The French government is considering the removal of Elf-Aquitaine chairman Loik Le Floch-Prigent. The company, France's largest industrial group, is to be privatised. Page 17

Eurotunnel settlement: Eurotunnel and the Channel tunnel contractors ended their long conflict, paving the way for a phased opening of the tunnel next year. Page 17; Lex, Page 16

BAe-Taiwan plan backed: A plan to support the £250m ($375m) joint venture between British Aerospace and Taiwan Aerospace Corporation has been approved by Lien Chan, Taiwan's prime minister. Page 4

US savings and loan bill: Democratic leaders in the US Congress tried to work out a way to approve the $34bn needed to complete a clean-up of the savings and loan debacle after a plea from top banking regulators. Page 4

Transatlantic deal: Air France and Continental Airlines of the US agreed to co-ordinate their businesses, creating one of the biggest transatlantic alliances in the airline industry. Page 4

Japanese recovery: Japan's economy is hindered by after-effects of the "bubble era", leading to a weaker than expected recovery, the Economic Planning Agency warned. Page 3

Hyundai strikes setback: Efforts to settle industrial action over pay at Hyundai, South Korea's largest conglomerate, foundered, dashing hopes that strikes among seven subsidiaries and their 40,000 workers may end soon. Page 3

Spanish accord sought: Tripartite talks in Spain between government, employers and unions began, aimed at agreement to contain the spiralling budget deficit and reduce rising labour costs. Page 2

78 dead in Chinese storms: Floods and storms in central China's Hunan province have killed 78 people in the past 10 days.

■ STOCK MARKET INDICES

FT-SE 100:	2879.4	(+35.2)
Yield	3.97	
FT-SE Eurotrack 100	1238.95	(-1.26)
FT-A All-Share	1424.54	(+1.1%)
Nikkei	19,891.39	(+69.31)
New York: lunchtime		
Dow Jones Ind Ave	3558.75	(-8.95)
S&P Composite	447.53	(-1.56)

■ US LUNCHTIME RATES

Federal Funds:	3.0%
3-mo Treas Bills: Yld	3.147%
Long Bond	105$\frac{21}{32}$
Yield	6.681%

■ LONDON MONEY

3-mo Interbank	6$\frac{1}{16}$%	(6$\frac{1}{16}$%)
Liffe long gilt future:	Sep 107$\frac{31}{32}$	(Sep108$\frac{1}{4}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$17.08	(16.81)

■ Gold

New York Comex	$391.2	(393.1)
London	$391.5	(393.2)

■ STERLING

New York lunchtime:		
$	1.4905	
London:		
$	1.49	(1.502)
DM	2.57	(2.59)
FFr	8.78	(8.8425)
SFr	2.265	(2.285)
Y	158.5	(160.5)
£ Index	81.5	(82.0)

■ DOLLAR

New York lunchtime:		
DM	1.725	
FFr	5.891	
SFr	1.52	
Y	106.055	
London:		
DM	1.725	(1.7245)
FFr	5.8925	(5.8875)
SFr	1.5205	(1.521)
Y	106.35	(106.85)
$ Index	66.0	(same)

Tokyo close Y 106.74

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

IBM cuts 60,000 jobs, takes charge of $8.9bn

Quarterly dividend halved but changes should save $4bn a year

By Martin Dickson and Louise Kehoe in New York

INTERNATIONAL BUSINESS Machines, the struggling US computer maker, is to slash a further 60,000 jobs worldwide by the end of 1994 – on top of 25,000 already cut this year – and sharply reduce its manufacturing capacity and office space.

The group yesterday took an $8.9bn pre-tax charge in its second quarter results to cover the upheaval.

Yesterday's action, which included a 54 per cent cut in the quarterly dividend, is the first major restructuring by Mr Lou Gerstner, who joined IBM as chairman last April with a mandate for radical change.

Underscoring the problems facing him, IBM also announced that it suffered a second quarter net loss before special charges of

Lex ....Page 16

$40m, or 8 cents a share, compared with earnings of $734m, or $1.29 a share in the same period of 1992. With the restructuring charge, its net loss came to $8bn.

The company said that when fully implemented, the restructuring would save it $4bn a year.

The job cuts – roughly one fifth of IBM's workforce – and restructuring charges were considerably larger than Wall Street had expected, while earnings were significantly ahead of forecasts. IBM's shares rose $2⅞ on the New York Stock Exchange to $45¼ at noon.

Yesterday's cuts are the largest yet by IBM, which has been cutting staff for years as it struggles with computer market changes which favour smaller, more nimble rivals.

Mr Gerstner, whose strategy to restore IBM's fortunes has been the subject of intense speculation, said that his highest near-term priority was "getting IBM's cost and expense structure in line with the revenue realities of our industry."

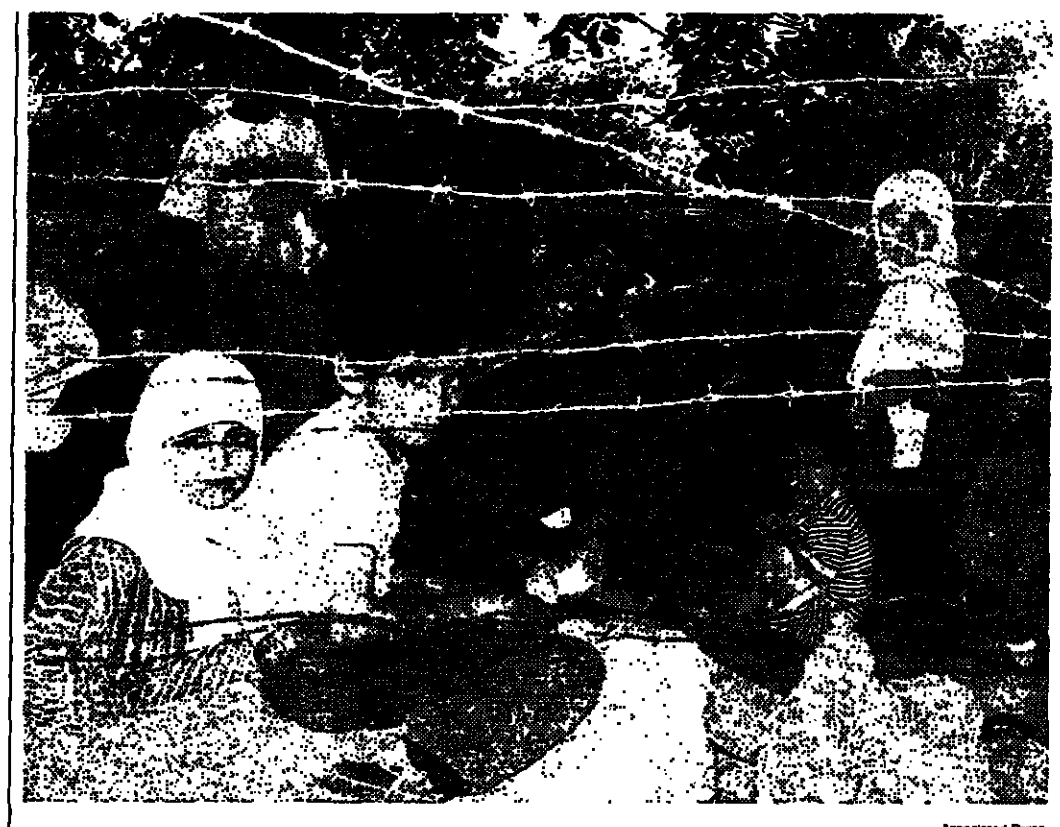
His second priority was to "win the battle in the customer's premises." This involved making IBM equipment easier to use and more able to link up with non-proprietary computer systems.

He was also concerned to boost the morale of employees. The company, he said, had to get behind it "the Chinese water torture we've been going through quarter after quarter." However, he warned that yesterday's cuts were based on current estimates of future demand and further action could be necessary.

IBM announced at the start of 1993 that it expected to cut its staff of around 300,00 by some 25,000 this year through voluntary and forced redundancies. It said yesterday that some 50,000 people had now left or were committed to leave by the end of the year and that some $2bn of the special charge covered this rise in numbers.

Yesterday's action will lead to a further 35,000 job cuts by the end of 1994, requiring some $4bn of charges. Allowing for some limited hiring in IBM's growing computer services business, this will reduce the company's workforce to around 225,000 by the end of 1994. The job cuts will be more heavily weighted towards IBM's operations outside the US.

The remaining $2.9bn of charges will cover cuts in manufacturing capacity, office space and related expenses. The dividend is being cut from September from 54 cents a quarter to 25 cents.



Associated Press

A Shia Moslem family, one of thousands displaced by Israel's artillery attacks on southern Lebanon, takes refuge near Lake Qaraoun in the western Bekaa valley after fleeing the village of Mashgara

Israel steps up artillery attacks on south Lebanon

By Julian Ozanne in Israeli-controlled southern Lebanon and Mark Nicholson

ISRAEL DEFIED international criticism and stepped up its devastating aerial and artillery bombardment of southern Lebanon yesterday, striking for the first time at the heart of villages suspected of supporting Arab guerrillas.

The intensification of the Israeli offensive on the third consecutive day of shelling and air attacks forced Mr Warren Christopher, US secretary of state, to cut short his Asian visit and return immediately to Washington for "urgent consultations".

President Bill Clinton praised the "commendable restraint" shown by Syria in the wake of the Israeli offensive and said he hoped the fighting would not provoke the collapse of the Middle East peace process. Mr Christopher is still planning to visit the Middle East early next week in an effort to persuade the negotiating teams to return to Washington in August.

Mr Yitzak Rabin, Israel's prime minister, told a parliamentary committee the offensive was specifically designed to create a wave of refugees from southern Lebanon. As they fled north towards Beirut, Mr Rabin said he expected the exodus would increase pressure on the Lebanese and Syrian governments to curb the activities of the pro-Iranian Hizbollah guerrillas, who are responsible for recent rocket attacks on Israeli forces. He also said he expected the raids to continue for days, not weeks.

Tens of thousands of Lebanese villagers streamed north yesterday, clogging the roads to the capital. Thousands more vehicles headed south to rescue stranded families.

Mr Rafik Hariri, the Lebanese prime minister, travelled to Damascus for urgent consultations with Syrian leaders as the death toll from the three-day operation rose to at least 47 with 200 wounded.

Mr Shimon Peres, Israeli foreign minister, said during a tour to the border areas he hoped a ground offensive would not be necessary. Despite criticism from France and Arab governments, he claimed Israel had no alternative but to continue its offensive. Israeli warplanes also hit a UN position south of Tyre yesterday, wounding four Nepalese peacekeepers.

Israeli officers in charge of artillery batteries on the Israeli-Lebanese border and inside the Israeli-controlled area of southern Lebanon said they were widening their attacks to include a further 20 villages, increasing the target list to 70 villages.

Hizbollah fighters launched at least four Katyusha rockets into northern Israel and countless others into the Israeli-controlled area of Lebanon. Two Israeli soldiers were reported wounded in the attacks.

Mr Peres said he was very concerned about the impact Israel's action was having on the stability of the Lebanese government, but stressed Israel was at war with the Hizbollah and not with Beirut. "It is a tragedy for Lebanon but a test for Israel," he said.

He also said he expected the Middle East peace process to continue.

Relentless barrage drives refugees to Beirut

By Mark Nicholson in Deir el-Zahrannie, south Lebanon

TENS OF thousands of families deserted villages across south Lebanon yesterday and fled north, 10 or more to a car, from sustained Israeli bombardments.

Traffic jammed the coast road to Beirut from early morning in the biggest exodus in the country since the Israeli invasion of 1982. Cars queued four or five abreast as far south as Sidon, 30 miles from the capital.

By late afternoon, another stream of cars was heading south, most carrying only drivers intent on picking up families or friends marooned in villages undergoing heavy shelling.

Thousands were escaping from the town of Nabatiyeh and the surrounding villages of Jibsheet and Harouf, pounded for a night and a day by Israeli artillery at a rate of more than 10 rounds a minute at times. Israeli jets roared over the villages throwing out anti-radar chaff.

"They don't stop. Every time I breathe I hear a shell," said one middle-aged woman leaving Nabatiyeh.

In villages a few miles clear of the shelling, families without cars to escape, or men waiting for a break in the bombardment so that they could rescue relatives, stood by the road in quiet, surly groups.

Some craned over radios listening to the radio station of the Israeli-financed South Lebanese Army in case it would broadcast a warning to evacuate their towns – as it did for 20 villages yesterday, each of which was later shelled.

Roads in the mountains were almost deserted but for cars hurtling away from Nabatiyeh as shells exploded close to the road. Ambulances wailed their way to Sidon, where the main Hammoud hospital was admitting new casualties every 15 minutes by late afternoon.

Many of the injured, like Mrs Hanna Moussa, her two sisters and a shrapnel scarred nine-month-old child who lay together bandaged in one of the wards, were clearly civilians. They are

Continued on Page 16

VW chief in furious attack on GM

By Christopher Parkes in Frankfurt

MR Ferdinand Piëch, Volkswagen chairman, has launched a ferocious counter-attack on General Motors, accusing the US group of trying to destroy his company and undermine the German economy.

Goaded into action by legal setbacks and continued harassment by GM lawyers, Mr Piëch suggested that agents of the US group or disaffected VW employees might have "hacked" into Volkswagen's computer system to plant GM secrets in the German group's network.

He also implied that GM could have put confidential information in boxes found in a house formerly occupied by two VW employees who moved from Adam Opel, GM's German subsidiary, in late March.

Opel described the charges, to be published tomorrow in Stern, an illustrated weekly, as "absurd".

Mr Piëch's attack is expected to continue at a hurriedly called press conference in Wolfsburg today. After weeks of restricting its statements to flat denials of

Continued on Page 16

Pearson to demerge Royal Doulton and sell Camco stake

By Raymond Snoddy in London

PEARSON, the conglomerate which owns the Financial Times, is to make two of its divisions into independent public companies as part of its plan to focus almost exclusively on the media and entertainment.

Royal Doulton, the group's fine china division, is to be demerged from Pearson, probably before the end of this year. The shares, which will be listed on the London Stock Exchange, will be given to Pearson shareholders.

Pearson will also sell a majority stake in Camco, its US oilfield equipment and services division, through a public offering on the New York Stock Exchange. Pearson said yesterday it would keep a minority stake in Camco "for a limited period". The sale is expected in the first half of next year.

Last year the two businesses accounted for 30 per cent of Pearson's £1.6bn sales and about 7 per cent of the group's operating profit of £156m.

Pearson has said for some time that new investments would be in the fields of information, education and entertainment.

Lord Blakenham, Pearson's chairman and chief executive, said: "We believe that concentrating most of our resources now on appropriate sectors in the media industry will benefit shareholders."

Pearson said it was holding on to Lazard Partners, its merchant banking interest, because it was profitable and absorbed neither capital nor management time.

The initial reaction to the Pearson move was positive and the company's share price rose by more than 40p before closing up 27p on the day at 467p.

Mr Derek Terrington, media analyst at stockbrokers Kleinwort Benson, yesterday welcomed the strategy in principle but said he thought Pearson's shares were still overvalued and that more profit-taking was likely.

The announcement came a day after it became clear that Mr Rupert Murdoch's News Corporation had beaten Pearson to control of Star TV, the Asian satellite venture which broadcasts to 38 Asian countries.

Yesterday Mr Murdoch took the opportunity of the higher share price to sell 16.48m Pearson shares through Goldman Sachs at 464p. The stake represented News Corp's last block of shares in Pearson that are not covered by convertible arrangements.

Further details, Page 17

CONTENTS

Rome in retreat on steel debts

By Lionel Barber in Brussels

ITALY has bowed to pressure from the European Commission and withdrawn plans to write off Ecu4bn ($4.5bn) of debts incurred by Ilva, the state steel-maker.

The Italian government's retreat offers a reprieve to the Commission's ambitious plans to restructure the tottering European steel industry.

The Ilva case remains central to the EC-wide rescue plan. Earlier this month the Commission invoked rarely used powers to order Ilva to suspend its planned write-off of past debt.

The Italian government has since informed the Commission that it is withdrawing its rescue plan. Italy has until August 14 to put forward further arguments in favour of state aid, while the Commission has reserved the right to take the matter to the Council of Ministers.

EC officials warned yesterday that it was too early to declare victory in the battle to limit state aid to the steel industry, particularly in Italy and Spain. But in an effort to retain the initiative, the Commission is expected to agree today to set up a loan scheme to persuade EC steel-makers to cut 30m tonnes in capacity.

The Commission has been discussing the scheme informally with steel companies for several months. The loans would be made available at a favourable rate to groups of companies which agree to pool funds to finance capacity cuts.

Ethnic leaders meet for first face-to-face talks in six months

Bosnia rivals discuss carve-up

By Laura Silber in Geneva

Associated Press

Radovan Karadzic arrives in Geneva carrying maps of his plan to divide Bosnia into Croat, Serb and Moslem states

BOSNIAN President Alija Izetbegovic last night held face-to-face talks with Serb and Croat rivals for the first time since January as negotiations began which could lead to the ethnic division of Bosnia.

The leaders of the three main ethnic groups in Bosnia met for unscheduled talks which included Serbian President Slobodan Milosevic, his Croatian counterpart Mr Franjo Tudjman and President Momir Bulatovic of Montenegro, which with Serbia forms the rump Yugoslav state.

The talks came as international mediators Lord Owen and Mr Thorvald Stoltenberg tried to persuade Mr Izetbegovic to drop his demand that a future Bosnia be based on centralised federation. Mr Radovan Karadzic, the Bosnian Serb leader and Mr Mate Boban, his Bosnian Croat counterpart, have called for the creation of a loose confederation, which Mr Izetbegovic says will lead to more war and the possible annexation of large parts of Bosnia to Serbia and Croatia.

The two peace envoys reportedly told Mr Izetbegovic that a newly created mainly Moslem state would receive economic aid from Moslem countries as well as the US.

Mr Reginald Bartholomew, the special envoy of US president Bill Clinton who so far has maintained a distance from the peace talks, yesterday met Mr Izetbegovic for private talks.

The mediators have pledged, in the event of the republic's ethnic division, that the mainly Moslem state would be granted at least 30 per cent of Bosnian territory and access to ports on the Adriatic Sea and the northern River Sava.

They appear convinced, despite the upsurge in fighting in Bosnia, that Serb and Croat leaders would be willing to make territorial concessions to the Moslems.

Serb forces control about 70 per cent of Bosnian territory and the Croats about 20 per cent.

Mr Izetbegovic is likely to be sceptical that the international community will provide muscle to back the security of a Bosnian state. But Mr Mustafa Bijedic, chief of Bosnia's UN mission in Geneva, yesterday said: "We were encouraged by the signs of support expressed by the co-chairmen."

Michael Littlejohns at the UN, New York, adds: French United Nations troops yesterday came under fire in Sarajevo for the second time in two days when shells hit a television building where they were setting up a communications base.

Following the first artillery bombardment on French soldiers, on Sunday, UN commanders blamed the Bosnian Serbs and threatened to retaliate if peacekeeping forces came under attack again.

The attack prompted Nato to signal it was moving closer to military intervention, saying it expected to provide air cover over Bosnia "sooner rather than later".

Nato had assembled 60 combat aircraft at bases in Italy but Britain, France and the Netherlands had failed to place in Bosnia the forward air controllers needed to guide them, a United Nations official said.

Hedge funds sit on the fence and watch franc

James Blitz on an unusual aspect of speculation in French currency

FOREIGN currency dealers have spent the past few days pushing the French franc close to its floor against the D-Mark in the exchange rate mechanism and testing the resilience of Europe's monetary system.

But surprisingly there has been little or no speculation by the most notorious currency players in the market, the New York-based hedge funds.

In the past 12 months, the hedge funds – of which Mr George Soros's Quantum Fund is best known – have been the most active sellers of devaluation-prone currencies, like sterling, the peseta and the punt.

But, earlier this week, Mr Soros surprised government officials and currency dealers by saying that he was not selling the French currency.

The essence of hedge fund activity is to borrow a vulnerable currency in enormous quantities. The currency is then sold in a minute period of time, often to a central bank anxious to defend the currency's value in the ERM.

In the past year, this speculation has alarmed the conservative and long-term participants in the currency market, such as the pension funds, which have the biggest financial muscle and who are anxious to preserve the value of their underlying assets, like bonds and equities.

Their selling pushes a currency to levels at which a devaluation is compulsory. The hedge funds then buy back the currency at a lower rate, making a huge return.

In this turmoil, however, the conservative pension fund managers – in particular the holders of French bonds – have been selling the currency without any prompting from speculators. There is a colossal overseas holding of French bonds, and fund managers want to preserve the value of these assets by hedging their currency exposure.

But the hedge funds have been on the sidelines. One fund manager in New York said yesterday that he did not see the French franc as "a great value trade" for him. He said speculators had been reticent in this latest turmoil because, even if France quit the ERM and cut interest rates, the franc could quickly appreciate to much higher levels against the D-Mark. France, he noted, had a stronger current account and trade position than Germany.

Even so, the French authorities have two reasons to be concerned:

● The hedging operations of fund managers and international investors could push the franc out of the ERM if the Bundesbank does not cut rates sufficiently tomorrow.

According to a leading manager in London, there were flows of around DM100bn into France and other non-ERM countries after last year's French referendum. Only 15 per cent of that has been reversed in the past three weeks.

● Some hedge funds threaten to be active sellers of the franc in the autumn.

According to one New York based manager, the French currency would be ripe for a depreciation if the country's interest rates remain at high levels in the next few months.

"The longer French rates stay high, the more damage will be done to real estate values and unemployment," he said. "An even sharper drop in French interest rates would be needed – and this could lead to the more pronounced depreciation in the currency that is sought."

Italian party looks to past for new image

By Robert Graham in Rome

THE leader of Italy's Christian Democrats (DCs), Mr Mino Martinazzoli, has managed to paper over internal splits in the party as it prepares to adopt a new, but as yet ill-defined, identity.

A four-day assembly, ending in Rome on Monday night, gave Mr Martinazzoli full authority to organise a congress before the end of the year at which the Christian Democrats are expected to approve a new name: the Popular party.

This harks back to Italy's first mass Catholic party, dissolved in 1926 with the onset of fascism and internal divisions. The change, while maintaining the old party symbol, underlines Mr Martinazzoli's attempt to "renew without denying the past".

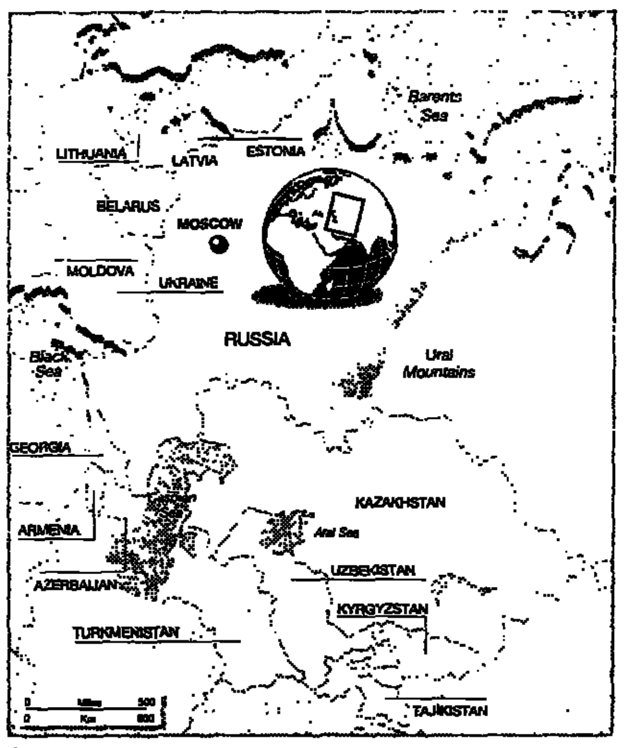
The assembly provided few clues as to how the party, formed in 1942, intended to recover the allegiance of voters disillusioned by the Christian Democrats' long-standing abuse of power. Partial local elections in June showed their vote at below 20 per cent.

Preserving unity and ignoring the large number of prominent members involved in corruption scandals seemed more important than agreeing a political platform.

The assembly dodged the issue of the "renewed" party's place in the political spectrum. Mr Martinazzoli, leader since last October, argued that the new party should be centrist with strong Catholic roots.

● Italian independent road hauliers yesterday called off a strike which had threatened to throw the country into chaos, Reuter reports. They accepted a package of tax breaks and tariff increases at a meeting with the prime minister.

Rouble zone in the former Soviet Union



Core rouble zone

Russia	Armenia	Belarus*	Tajikistan	Uzbekistan	Kazakhstan

* Also circulating coupon but has no plans to leave rouble zone

Planning to leave rouble zone this year

Azerbaijan	Manat circulating with rouble
Georgia	Coupon with rouble
Moldova	Coupon with rouble, leu to be introduced
Turkmenistan	Rouble circulating, manat to be introduced

Out of the rouble zone, using their own currency

Estonia	Crown (R71.9)*
Latvia	Lat (R1530.7)*
Lithuania	Lit (R229.9*
Ukraine	Karbovanet (K10 to R1.9)**
Kyrgyzstan	Som (trades at around R250)

* Exchange rates currently quoted by Russian central bank ** Coupon also circulating

Currency change puts pressure on republics

By John Lloyd

RUSSIA appears to have achieved the main objective of its currency reform: Mr Viktor Gerashchenko, the central bank governor, said yesterday the forced exchange of pre-1993 roubles had compelled former Soviet republics still using the Russian currency to opt in or out of the rouble zone.

He said republics which had remained members of the rouble zone – using roubles issued by the Bank of Russia as their only, or parallel, currency – had to decide whether to stay in or move out. The net effect seems to be to have whittled the "rouble core" down to six.

Before last week's currency upheaval five republics had already left the zone; the three Baltic states of Estonia, Latvia and Lithuania, and Kyrgyzstan and Ukraine. Only the Estonian crown can be described as "stable" while the Ukrainian karbovanet has been steadily dropping against the rouble.

Four more republics have now given notice that they will leave the rouble zone this year (though in practice these decisions are subject to delay).

Azerbaijan yesterday announced it would leave the zone as soon as possible – the government has given its central bank two days to work out a mechanism for withdrawing the rouble and replacing it with the manat – at present a parallel currency.

Georgia has said that it will introduce its own currency from August. It currently supplies coupons to supplement roubles and the government has said citizens have one week to swap roubles for coupons, to a limit of Rbs100,000.

Moldova has said it will now introduce coupons for all transactions and will speed the introduction of the leu, which is being printed in Romania.

One problem in Moldova is

Moscow's move 'a stab in the back'

its large Russian-speaking minority in the self-styled TransDnestrian republic who have refused to switch to coupons and still use the rouble.

Turkmenistan is to bring forward the introduction of its manat, from January next year to October 1993. The manat notes and tenge coins are already arriving in Ashkhabad, the Turkmen capital and are likely to be valued at 1:1 with the dollar.

Mr Mukhammed Abalakov, the economics and finance minister, said yesterday the Russian move was a "stab in the back" for the other republics, and that they should have been given at least six months notice.

The remaining six republics, including Russia, have opted to remain in the rouble zone, at least for now. Armenia has made the most fuss – Mr Levan Barkhudaryan, the finance minister, said the cash exchange was "a direct violation of all previous agreements on currencies" but its economy is in such a dire state that it can no nothing. Belarus has stepped into line, as it usually does with Russian decisions. Citizens can exchange up to Rbs50,000, but must put larger amounts in a six month deposit account at an annual interest rate of 60 per cent. Mr Viktor Danilenko, the Belarus ambassador in Moscow, rebuked the Russian government, saying that they had dumped a "railroad car" full of old notes on Belarus only a day before the central bank announcement. He declined to say whether Belarus would bring in its own currency.

Tajikistan and Uzbekistan have both said they will fall into line, although citizens can continue to use the old notes for the time being. Kazakhstan, has said it will withdraw the old notes but it is awaiting a sufficient quantity of new notes before effecting the switch.

Broker seen as main beneficiary of Dublin deals

By Paul Taylor

A PROMINENT Dublin stockbroker was the main beneficiary of a series of deals which culminated in the controversial £9.4m purchase of a headquarters site by Telecom Eireann in 1990, according to the Irish government-appointed inspector charged with investigating the affair.

In his recently published final report Mr John Glackin, the inspector, identifies Mr Dermot Desmond as being the key figure in deals which led to the purchase of a disused bakery site in Dublin by the Irish state-run telecommunications company for its new headquarters building.

Subsequently it emerged that the site had changed hands twice in the 18 months before being acquired by Telecom and that its price had more than doubled in the process.

Mr Glackin, a solicitor, was appointed in October 1991 to investigate who controlled and who stood to gain financially from the transactions involving two offshore companies called Chestvale Properties and Hoddle Investments.

The report deals with the position of Dr Michael Smurfit, the former chairman of Telecom, who had acknowledged, as he had then recently discovered, that he had indirectly held a small stake in UPH. UPH had at one stage owned the bakery site.

Dr Smurfit resigned as Telecom chairman in reaction to a suggestion by Mr Charles Haughey, the Irish prime minister, in 1991 that he should "step aside" pending the outcome of a departmental inquiry into the circumstances.

Mr Glackin concludes that "none of the Telecom Eireann executives or directors other than its chairman, Mr Smurfit, were financially interested in the success or failure (real or apparent) of the companies or able to control or materially influence the policy of the companies."

In the case of Mr Smurfit himself, the inspector says: "I am satisfied that, save insofar as Mr Smurfit was the beneficial owner of shares, through an Isle of Man company Bacchantes Limited, in UPH, which I have found was financially interested in the success or failure of Chestvale between 9th December and 19th April 1990, he was not financially interested in the success or failure (real or apparent) of the companies nor did he control or materially influence the policy of the companies."

He adds that he did not find any evidence that Mr Smurfit was "involved in, or aware of the management or affairs of UPH" and accepts the former Telecom chairman's evidence that he had no knowledge that his name was being used by Mr Desmond to help raise finance for the purchase of the site by Chestvale.

Bonn attack on recycling bill

By Ariane Genillard in Bonn

GERMANY'S plan to introduce innovative environmental legislation forcing producers to take back and recycle consumer goods is badly conceived and threatens enterprises, parliamentarians said yesterday.

Dealing a blow to the government, members of the coalition parties in parliament said the bill had to be significantly changed before it would gain parliamentary approval.

The draft law, the first of its kind in Europe, was tabled by the government in April and aims to encourage the collection and recycling of consumer durables.

Specific recycling requirements for different products would then be decreed by the federal ministry for the environment and the applications of these legal requirements would be left to the Länder governments.

Parliamentarians yesterday warned against allowing state authorities to have too much power in deciding how recycling requirements are carried out.

"Recycling must stay in the hands of the enterprises," said Mr Gerhard Friedrich, Christian Democratic Union MP in the environment committee.

"We must also make sure that the law is not going to lead to excessive bureaucracy," he added.

In particular, coalition MPs fear that the law would be misused in Länder which are governed by opposition Social Democrats calling for stricter recycling laws.

Social Democrats, who control the Bundesrat, the German upper chamber in the parliament, recently said they would only adopt the draft law if tougher requirements were put in place. They want, among others, stricter recycling quotas for consumer goods and bans on specific chemicals used to produce consumer goods.

Coalitions MPs say such requirements could hinder the competitiveness of German companies and would especially burden small and medium-sized companies.

They are instead calling on the government to let companies decide how to recycle the goods they would have to take back from consumers.

Higher fees for landfills would also encourage manufacturers to find recycling technologies for their products, they say.

Greeks fight state sales

By Kerin Hope in Athens

GREEK public sector unions yesterday began a two-day strike in protest against government efforts to privatise public utilities, including the state telecommunications company, OTE.

Banks and post offices across the country were closed, and transport workers in Athens stopped work during rush-hours. The power company, DEH, warned of blackouts in the capital.

The unions, backed by the opposition Panhellenic Socialist Movement (Pasok), have stepped up their campaign against the privatisation programme as the government prepares enabling legislation that transfers management of utilities to the private sector and permits them to be listed on the Athens stock exchange.

The economy ministry, which is leading the privatisation effort, is even under attack from within the governing New Democracy party, a powerful faction of which is reluctant to give up the privilege of making patronage appointments to public corporations.

The ministry's attempt to counter objections to the OTE sale by offering the company's 28,000 employees free shares has had little impact.

Spain seeks accord on budget deficit cut

By Tom Burns in Madrid

TRIPARTITE talks with employers and unions opened yesterday in Madrid and are seen as a key test of the government's ability to restore investor confidence in the troubled Spanish economy.

At issue is whether the government will achieve a negotiated agreement to contain a spiralling budget deficit and reduce rising labour costs that have damaged Spain's competitiveness.

"Unless the government courageously deals with the deficit and introduces flexibility to the labour market, Spain will soon be immersed in a vicious circle of inflation and devaluation," said Mr Luis de Guindos, chief executive of managed funds at Madrid security house AB Asesores.

The talks, which will seek to negotiate what the government calls a "social pact for employment", have become more urgent because of the deteriorating economy and pressure on the peseta.

Officials said the main purpose of yesterday's meeting was to establish a timetable for the negotiations. Mr Pedro Solbes, the economy and finance minister who is chairing the talks, has however warned that if no agreement is forthcoming well before the end of this year, the government will act unilaterally to cut social spending, hold down wage increases and revise existing labour legislation.

Spain's current account deficit narrowed to Pta215bn ($1.56bn) in April from Pta294bn in April last year, the Bank of Spain said yesterday. The trade deficit also fell to Pta179bn from Pta297bn. Exports rose to Pta705bn from Pta556bn and imports to Pta884bn from Pta853bn.

The government has already proposed a thorough reform of existing laws on hiring, job classifications and sacking.

Mr Solbes, a non-Socialist in the Socialist party-led government, wants to reduce the budget deficit, currently running at around 5 per cent of GDP and nearly double the forecast figure, to 4.5 per cent next year and to 3 per cent in 1996.

To achieve this the government will almost certainly have to cut back on social spending and also possibly raise taxes on consumer goods.

Mr Solbes' second task will be to persuade the unions that high wages and rigidities in the labour market have eroded Spain's competitiveness and are a direct cause of a dramatic increase in unemployment.

Salary rises this year have averaged 7 per cent, more than two points above the headline inflation rate. The unions are likely to offer salary moderation but talks will be tougher over reduced social benefits and proposed changes to labour legislation.

Mr Solbes has two trump cards. One is that Spain is in its deepest recession in living memory and that radical measures are required to rectify the situation.

The minister has forecast below zero GDP growth this year and quarterly employment figures which will be released later this week are expected to reveal that more than 100,000 jobs were lost in the past three months, raising the jobless total to over 3.5m.

The other card is that unless the financial markets perceive that the government is addressing the fundamental problems of its economy, preferably through negotiated settlements, the peseta will come under sustained pressure.

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Israel's restless gunners savour chance to hit back at Hizbollah

Ground troops also want to get in on the action, writes Julian Ozanne

PERCHED on the top of a stony mountain ridge overlooking the rolling valleys of southern Lebanon, five huge artillery cannons blasted away yesterday, lobbing shell after shell into Lebanese villages behind the distant hills.

In less than 30 minutes, the young Israeli gunners of Battery B had fired 230 shells deafeningly across the olive groves and tobacco fields towards the villages of Barasheet and Jibsheet, which the Israelis claim are strongholds of the pro-Iranian Hizbollah guerrillas.

Israeli warplanes streamed overhead, occasionally breaking the sound barrier, on their way to bombing raids.

"My men have been working round the clock. They haven't slept at all since Sunday," said an Israeli officer who identified himself as Lieutenant Colonel "W", commander of the artillery battalion. The colonel said his big guns were accurate to within 50 metres. "The villagers got a warning we would shell and they have to run away. If they didn't hear, then that is a problem."

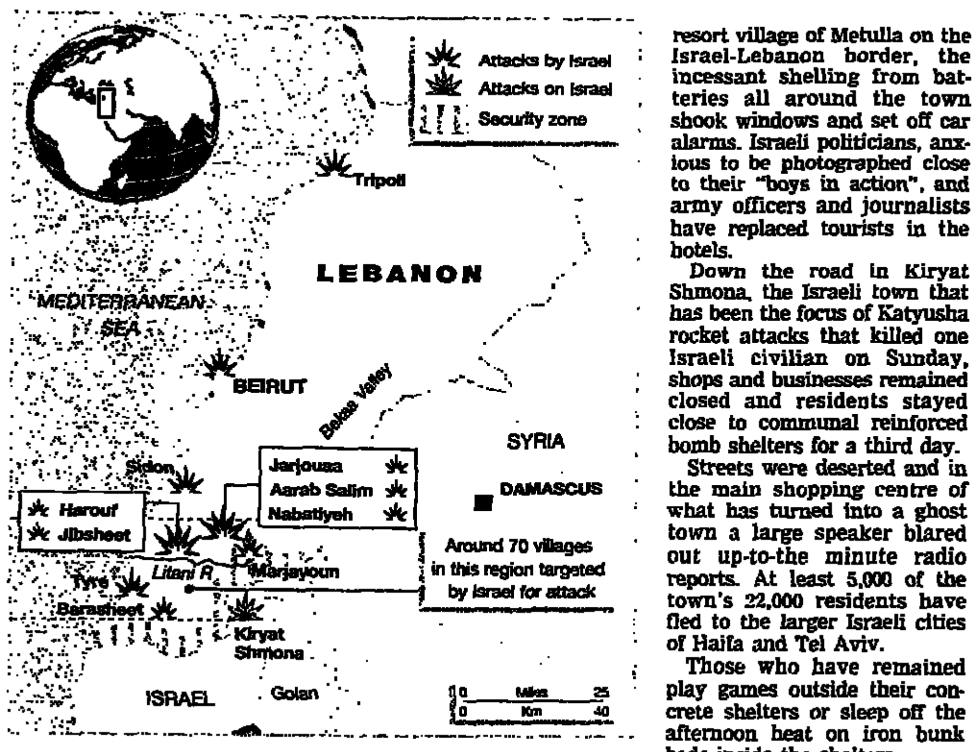
The army public relations effort has been working hard to sell their offensive as a limited strike against "terrorists". "We've been sitting here taking it like cowards," said one gunner. "All those villagers who [are called] civilians are Hizbollah and they are getting what they deserve."

Several senior army officers were called in at Battery B yesterday, beaming at colleagues and slapping each other on the back. Many had their photographs taken in front of the blazing guns and their increasingly euphoric young gunners.

The army public relations effort has sold the action as a limited strike at 'terrorists'

In a fortified infantry observation post deep in the area of southern Lebanon which Israel occupies in defiance of UN resolutions, restless ground troops of the élite Givati brigade urged their generals to let them in on the action.

"The air force and artillery can't get the job done alone," said one private as plumes of smoke rose in the distance above Lebanese villages. "We are not trained to sit back and take it and let everyone else have the fun."



Many of the younger generation of soldiers are hoping the government will kick Israel's equivalent of the Vietnam syndrome – the fear of committing ground troops in Lebanon resulting from the Israeli invasion of 1982 which left over 650 Israeli soldiers dead.

In the picturesque Israeli resort village of Metulla on the Israel-Lebanon border, the incessant shelling from batteries all around the town shook windows and set off car alarms. Israeli politicians, anxious to be photographed close to their "boys in action", and army officers and journalists have replaced tourists in the hotels.

Down the road in Kiryat Shmona, the Israeli town that has been the focus of Katyusha rocket attacks that killed one Israeli civilian on Sunday, shops and businesses remained closed and residents stayed close to communal reinforced bomb shelters for a third day.

Streets were deserted and in the main shopping centre of what has turned into a ghost town a large speaker blared out up-to-the minute radio reports. At least 5,000 of the town's 22,000 residents have fled to the larger Israeli cities of Haifa and Tel Aviv.

Those who have remained play games outside their concrete shelters or sleep off the afternoon heat on iron bunk beds inside the shelters.

"It is worse than it was in 1982 and everybody is afraid," said Mr Morechai Barchechath. "But everybody here wants the army to clean out the south of Lebanon."

Reuter

Israeli prime minister Yitzhak Rabin gives a hesitant thumbs-up during a briefing to parliament

After-effects of 'bubble era' still hinder Japan

By Robert Thomson in Tokyo

JAPAN'S economy is still hindered by the after-effects of the "bubble era", which are likely to lead to a weaker than expected recovery, the Economic Planning Agency warned yesterday in its annual white paper on the economy.

But the agency's confidence that the economy has hit bottom was apparently challenged yesterday by its director-general, Mr Osamu Takatori, who noted that recent retail and production statistics have dipped and provide no reason for optimism.

The white paper, subtitled "What we learned from the bubble", examines the longer-term consequences of the easy money era of the late 1980s, and suggests that the government should have been more aware of the danger of frenetic speculation and fast-rising asset prices.

In the report, the EPA is generally more optimistic than its director-general, partly because it was compiled during May and June, when there were signs of an imminent recovery, including an increase in housing starts and a halt in the build-up of inventory.

The white paper suggests that the recovery will be evident late this year or early next year, but concedes that the upturn "will likely remain more moderate than past recovery phases, due to sluggish consumption and business investment".

That judgment was supported by a 4.8 per cent fall in sales at large Japanese retail stores in June, compared to a year earlier. The Ministry of International Trade and Industry said yesterday that June marked the 13th consecutive month of decreases, the largest period of decline since the collection of figures began in 1953.

Meanwhile, the Cement Association of Japan said yesterday cement output in June fell 5.5 per cent following 14 months of increases. The association blamed the decrease on weak private construction orders, which also led to a 20.1 per cent rise in inventories, now at a record high.

The EPA was hopeful that a "decline in the propensity to consume seems to have come to a halt", though it conceded that land prices, which have fallen an estimated 30-40 per cent in the last three years "still have a downward trend".

The white paper also notes some of the social costs of the bubble era. It said the distribution of assets in Japan was made less equal, and the excesses "lowered the relative value of return for labour".

On Japan's politically-sensitive current account surplus, which rose from 1.1 per cent of GNP in 1990 to 3.3 per cent last year, the EPA conceded that the bubble had distorted the initial fall in the surplus. But foreign investment in the late 1980s had also altered the country's trade structure.

The EPA recommends that the surplus be reduced by the stimulation of domestic demand, and the creation of an "unquestionably" transparent and open market, while the surplus should be circulated "in a way that would contribute to the development of the world economy".

China grooms future leaders

Tony Walker perceives possible new succession arrangements

WHEN Mr Qiao Shi, the chairman of the standing committee of China's parliament, bade goodbye to fellow leaders before his present tour of south-east Asia, the television cameras lingered perceptibly on an especially warm exchange with Mr Zhu Rongji, the senior vice-premier charged with restoring order to China's booming economy.

It was an intriguing moment at a time of considerable uncertainty about China's leadership succession, and suggested that the shadowy Mr Qiao and the enigmatic Mr Zhu are not only political allies, but close to each other personally.

At a time of increasing speculation about the worsening health of supreme leader, Mr Deng Xiaoping, and with Premier Li Peng's continued absence from view with a heart condition, the greater prominence being accorded Mr Qiao and Mr Zhu is pointing to possible new succession arrangements.

China reacted furiously yesterday to a US Congress resolution opposing Beijing's Olympic bid, Tony Walker reports. The Chinese Olympic Committee said the congressional vote represented a "grave violation of the Olympic principles and spirit".

Qiao Shi (left) and Zhu Rongji: personal friends, political allies

Western officials in Beijing note that, for the past few months, talk of a collective leadership with Mr Jiang Zemin, the party boss and state president, at its core has been quietly shelved. They attribute this both to Premier Li's bad health and also to a perceived lack of enthusiasm in any case for a team involving Mr Jiang and Mr Li, neither of whom is held in particularly high esteem by the party rank and file.

The emergence of the 69-year-old Mr Qiao, a long-serving member of the standing committee of the ruling Politburo, coincided with his appointment in March as NPC chairman. He has used this post skilfully to achieve greater public prominence, and to champion his pet cause of law reform.

Chinese and foreign observers are now openly canvassing the growing importance of a "Shanghai faction" in the leadership centred around Mr Zhu and Mr Jiang, both of whom are former mayors of China's largest city; and Mr Qiao who was an underground party organiser in Shanghai in the period before the 1949 revolution.

Among various leadership scenarios one sees Mr Qiao replace Mr Jiang as general secretary of the Communist party, Mr Jiang continue as president – effectively the "front-man" – and Mr Zhu assume the premiership: that is if Premier Li Peng's health does not improve.

Mr Zhu's continued rise through the ranks would also depend on success in his efforts to control the economy. He could hardly expect to rise further if the economy fails to respond to present attempts to rein it in, and chaos ensues.

Mr Qiao, who has spent much of a secretive career engaged in internal party work and in overseeing the country's security apparatus, is referred to by some Chinese as a "budaoweng" – one of those bottom-heavy dolls that is impossible to tip over.

This is a reference to the fact that he appears to have prospered near the top of the Communist party through many upheavals.

An apparatchik, Mr Qiao is believed to have a strong power base both in the party itself and in the security services, strengths that both Mr Zhu and Mr Jiang lack.

MR Qiao, on the other hand, has been virtually invisible to the wider Chinese public for much of his career, although he has been close to the top for at least the past decade.

His three-week tour of Association of South East Asian Nations, which is being extensively covered in the Chinese media, may well be an attempt to enhance his public image. Foreign travel has traditionally been used by the Chinese authorities to burnish the credentials of a potential leader.

Mr Qiao is regarded as a reformist and a supporter of Mr Deng's policies of economic opening.

In spite of his involvement with security he emerged from the 1989 Tiananmen episode with his reputation relatively unscathed since it was reported that he had opposed the use of force to put down the student demonstrators.

It was also suggested at the time that he had been offered, and turned down, the top party post.

Mr Qiao may now be ready to come in from the cold.

Zimbabwe faces austerity budget

By Tony Hawkins in Harare

ZIMBABWE'S finance minister, Mr Bernard Chidzero, is expected to present a tough budget tomorrow, with reductions in public spending and higher consumption taxes.

As part of its second structural adjustment loan agreement with the World Bank, Zimbabwe has promised to cut its budget deficit from more than 10 per cent of gross domestic product in 1992-93 to less than 6 per cent this year.

Government revenue and expenditure estimates, prepared months ago when officials were predicting 7 per cent economic growth this year, point to a 9.5 per cent budget deficit of some Z$3.1bn ($480m), but growth forecasts have since been downgraded to no more than 2 per cent.

As a result, economists expect the deficit to exceed 10 per cent, though they expect Mr Chidzero to carry forward parastatal losses of some Z$350m into the current year's budget, thereby keeping the 1992-93 deficit in single figures.

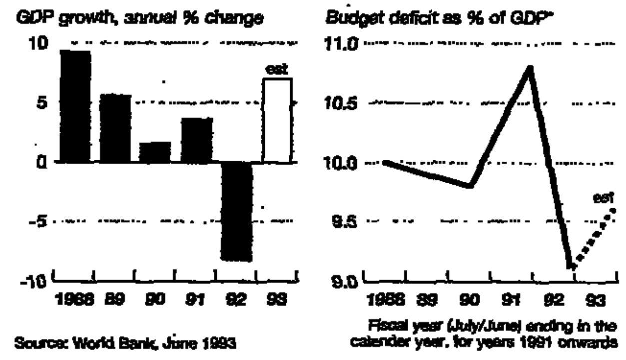
Government forecasts suggest that revenue will increase to 34 per cent of GDP from 29 per cent last year, when tax income was cut by drought.

But with the economy likely to remain flat for the first half of the 1993-94 fiscal year (to June 1994), these projections look optimistic. This means that if Mr Chidzero is to meet the 6 per cent deficit target in the current year he will have to lower spending drastically as well as raise new revenue.

The government is already committed to reduce income and company tax rates, but may seek to dilute these cuts by abolishing some exemptions. Mr Chidzero is also under pressure from business organisations, and especially farmers, to reduce import taxes on productive inputs.

Petrol and diesel prices will go up, and drink and tobacco taxes will rise. Higher duties on luxury goods are possible. In addition, subsidies to parastatals and defence spending could be cut.

Zimbabwe



Source: World Bank, June 1993

* Fiscal year (July/June) ending in the calender year, for years 1991 onwards

Stock speculator arrested in Tokyo

By Emiko Terazono in Tokyo

JAPAN'S securities watchdog finally showed its teeth yesterday when prosecutors arrested a leading stock speculator and a finance company official for alleged stock price manipulation.

It is the first time that investigations by the Securities and Exchange Surveillance Commission, set up in July last year, have led to a crackdown by the prosecutors on stock transactions.

The Tokyo district public prosecutor's office arrested Mr Makoto Araya, a stock speculator, and a former executive of Sumitomo Fudosan Finance, an unlisted financing subsidiary of Sumitomo Realty and Development.

Mr Araya is suspected of ramping the stock price of Nihon Unisys, the 32 per cent owned Japanese affiliate of the US computer group, during 1990 and 1991, through loans totaling some Y55bn ($514m) from Mr Hiroshi Kimura, former senior managing director of Sumitomo Fudosan Finance.

The SESC conducted a well publicised raid on the offices of Sumitomo Fudosan Finance last December, and claimed that Mr Araya used more than 10 accounts at 27 brokerages to trade Nihon Unisys stock. In May, the commission called for the indictment of Mr Araya and Mr Kimura for violating the Securities and Exchange Law.

The commission, modelled on the US Securities and Exchange Commission, was set up after a spate of stock market scandals shocked investors, fuelling the fall on the Tokyo stock market. However, it has found it difficult to cultivate the image of an aggressive and independent watchdog, due to its closeness to the Finance Ministry, with which it shares a building and staff.

On the Tokyo stock exchange yesterday, fears that investigation by the prosecutors may spread to Sumitomo Realty and Development depressed its share price, which fell Y14 to Y706.

2,000 killed in Sumatra, says report

By Victor Mallet in Singapore

INDONESIAN troops have killed an estimated 2,000 civilians in their attempts in recent years to crush a Moslem separatist rebellion in the Aceh area of northern Sumatra, Amnesty International, the London-based human rights group, says in a report published today.

Most of the victims were ordinary people with no involvement in the armed opposition movement called Aceh Merdeka, Amnesty says, and some were children or very old.

"Some of those killed were publicly executed," the organisation says. "Others were 'mysteriously killed,' the corpses left in public places – beside a main road, in fields and plantations – apparently as a warning to others not to join or support the rebels."

Amnesty says Aceh Merdeka members, many of whom were trained in Libya in the late 1980s, have also committed human rights abuses.

It says the officially-sanctioned murder of civilians has declined since early 1991, but rejects claims that life in Aceh has returned to normal.

Hyundai wage dispute talks hit snags

By John Burton in Seoul

EFFORTS to settle industrial action at Hyundai, South Korea's largest conglomerate, hit new snags yesterday, dashing hopes that strikes among seven subsidiaries and their 40,000 workers may end soon.

Workers at Hyundai Mipo Dockyard and Korea Flange rejected, by 2-to-1 margins, proposed pay agreements reached between their trade unions and management.

Meanwhile, Hyundai locked out workers from the Ulsan plant of Hyundai Wood Industries, which produces furniture and wood products, after union representatives rejected a wage proposal offered by the company. It was the first Hyundai company to be subject to a lock-out during the 53 days of labour unrest.

Little progress was reported in talks at Hyundai Heavy Industries, the shipbuilding unit that is the biggest subsidiary still on strike, as the company insisted that negotiations be confined to pay demands and refused to discuss reinstatement of sacked unionists.

A scheduled vote yesterday to approve a wage accord at Hyundai Precision & Industry, which initiated the industrial action at the group on June 5, was delayed until today due to complaints that workers had not received a full explanation of the agreement. There are growing doubts whether the agreement, reached at the weekend, will be accepted.

Workers at Hyundai Electrical Engineering are also expected to vote today on a proposed accord. A stoppage is also affecting Hyundai Construction Equipment.

The problems underscore the fact that Hyundai remains a stronghold of labour militancy, although its workers are among the best paid in South Korea. One reason is that Hyundai has concentrated most of its manufacturing in the south-eastern city of Ulsan, which facilitates collective union action.

The government is expressing worries, however, that the union leadership may be losing control of the workers as yesterday's Hyundai Mipo Dockyard and Korea Flange votes suggest.

Another factor is that the group's "authoritarian management style has often created tensions with its workforce", according to Mr Stephen Marvin, head of research at Jardine Fleming Securities in Seoul.

The government has criticised Hyundai for its poor labour relations and it threatens to take action against the company's owners, the family of Hyundai founder Mr Chung Ju-yung, once the labour dispute is over.

A wage accord was narrowly approved last week at Hyundai Motor.

S Korea-Taiwan pact signed

By John Burton

SOUTH KOREA and Taiwan yesterday signed an agreement establishing unofficial ties after breaking diplomatic relations last August when Seoul recognised Beijing as China's only legitimate government.

The pact, which was signed in Osaka, Japan, after several rounds of talks, is likely to lead to the lifting of commercial sanctions against South Korea imposed by Taiwan in retaliation.

An import ban was imposed on Korean cars, which amounted to 11,000 vehicles valued at $110m last year, and air and sea links were suspended. Anti-dumping suits were filed against Korean steel, chemical and petrochemical products. South Koreans seeking to work in Taiwan also faced restrictions.

A deadlock on restoring relations was broken when Taiwan dropped its demand that its offices in Seoul and Pusan bear the name of the Republic of China. It instead accepted the name of Taipei.

It also originally sought to keep all its government assets in Korea, but has now agreed to negotiate directly with China on the ownership of non-diplomatic property, such as state-sponsored schools. China took over Taiwan's embassy building in Seoul last year, while Taiwan retained its office in Pusan.

In return, Seoul agreed to recognise the Taiwanese offices as "missions," which suggest they have higher diplomatic status than representative offices.

NEWS: THE AMERICAS

Bank regulators appeal for urgent action

Congress grapples with S&L funding

By George Graham in Washington

DEMOCRATIC leaders in the US Congress yesterday tried to work out a way to approve the $34bn (£22.6bn) needed to complete a clean-up of the savings and loan débâcle after a plea from top banking regulators for Congress not to welch on the government's "most solemn promises".

The bill would provide a final instalment of $18bn to the Resolution Trust Corporation, the government company set up to take over and close down or sell off bankrupt S&Ls, as well as $16bn to float a new deposit insurance fund for the industry.

Congress failed to pass the legislation last year, and the RTC has since been living hand-to-mouth. While the Senate has passed the bill, Democratic leaders in the House of Representatives are unwilling to bring it to a vote unless they win some support from Republicans.

Regulators say failure to provide the money costs the government $3m a day; without authorisation to absorb the costs the RTC is unable to close down the failed S&Ls in its portfolio.

US consumer confidence edged lower in July, following decreases in the two preceding months, the Conference Board said yesterday, AP-DJ reports from New York.

The board's consumer confidence index fell to 57.7 from June's revised 58.6, which was previously reported at 58.9. It said that while the latest decline was insignificant, the cumulative loss in the index since the start of the year had been 19 points.

"Clearly, the latest message from the consumer strongly suggests that the economy still fails to show any convincing signs of a vigorous recovery," said Mr Fabian Linden, for the Conference Board.

Mr Alan Greenspan, Federal Reserve chairman, joined by Mr Eugene Ludwig, Comptroller of the Currency, and the acting heads of the Office of Thrift Supervision and the Federal Deposit Insurance Corporation, urged this week congressional leaders to delay no longer.

"Failure to provide timely funding for the RTC can only undermine confidence in the government's willingness to honour its most solemn promises. Those promises backstop the safety and stability of our entire financial system and provide incalculable benefits to millions of Americans not directly involved in the thrift clean-up," they wrote.

The message was reinforced yesterday by members of a commission investigating the causes of the S&L crisis, who said the RTC should immediately be given the money it needs to complete the clean-up.

The commission, chaired by Mr Andrew Brimmer, a former Fed governor, and Mr John Snow, chairman of the CSX transport company, said in its report that although the S&L industry was essentially bankrupt by 1982, the government continued to extend deposit insurance protection while encouraging the industry to spread into ever riskier activities.

At the heart of the commission's recommendations for reform is a proposal to limit federal deposit insurance to separately capitalised institutions, which it calls monetary service companies. These could invest only in low-risk money market instruments. This would reduce the risk of default borne by taxpayers and cut the cost of supervision.

US tightens immigration curbs

By George Graham

PRESIDENT Bill Clinton yesterday launched a programme to tighten US immigration controls and clamp down on smuggling rings that bring foreigners into the country illegally.

He asked Congress for $172m to hire up to 600 more border patrol agents and boost efforts to stop immigrant-smugglers and intercept smuggling ships at sea.

"It's certainly plain to anybody with eyes to see that the border patrol is drastically understaffed, breathtakingly understaffed," Mr Clinton said.

He also called for a process of "expedited exclusion" which would allow officials to rule summarily on asylum requests, instead of allowing asylum-seekers to stay for months while their cases are judged.

Anyone trying to smuggle in aliens would face anti-racketeering charges and doubled prison sentences. In recent months, there have been a series of attempts to land illegal immigrants by ship.

The measures have also been prompted by doubts about the effectiveness of US consular officials in screening visa applicants for terrorist links.

There is the recent case of Sheikh Omar Abdel Rahman, a militant Moslem preacher, several of whose followers have been arrested in connection with the bombing of the World Trade Centre in New York. Sheikh Omar is in custody awaiting deportation proceedings, although he entered the US legally on a visa issued after a CIA review.

Mr Clinton insisted the US was not seeking to close its doors to legal immigrants and would remain "the world's greatest melting pot". However, "we must say no to illegal immigration so we can continue to say yes to legal immigration," he said.

Fujimori looks set to 'finish the job'

Peru's new constitution will give president the power he seeks, writes Sally Bowen

PERU'S governing coalition has abandoned an impossibly tight race against the clock to get a new constitution promulgated by today, national independence day and third anniversary of President Alberto Fujimori's assumption of office.

Parliamentary debate over a draft of the constitution is unlikely to be complete before mid-August. But the chief innovations – which include allowing the president to stand for a second successive term and the death penalty for convicted terrorists – already look set in stone.

Both changes to the earlier 1979 constitution enjoy the virtually unanimous support of the majority alliance in congress, Cambio (Change) 90 and New Majority, both of which were created to support Mr Fujimori's candidacy. Both changes are almost certain, therefore, to become law, unless they are overturned by the referendum which Mr Fujimori has pledged before the constitution is approved.

Many observers in Lima are convinced that the principal motive behind the military-backed coup last April, when congress was dissolved and the constitution suspended, was to ensure that Mr Fujimori could stand again. Since Mr Fujimori's earliest days in office, military and intelligence sources have stated their belief that a prolonged period of stable leadership was needed to consolidate the programme of liberal economic reforms begun in 1990.

The new constitution is intended to enshrine those reforms, to "embody very clear and tremendously precise rules which will attract foreign investors", in the words of Mr Victor Joy Way, Peru's second vice-president and a former trade and industry minister. "We must free economic agents to shoulder responsibility for the development of the country – the state will no longer interfere nor intervene, simply orientate."

While the new constitution will be undoubtedly more "modern" and economically liberal than its idealistic, socially-aware predecessor, lawyers complain it lacks coherence. Many grandly ambitious articles have been retained because they sound good – or to avoid confrontation with a vociferous parliamentary opposition. Innovations have been tacked on piecemeal.

As the draft stands, the legislative body will be reduced to a single, 120-seat chamber. Representatives will continue to be elected via the traditional – and widely criticised – system of party lists. Reformers had hoped for the introduction of constituency-based elections to increase both regional representation and accountability.

The questions of a second successive presidential term and the death penalty for terrorists have dominated an uninspired national debate, however. Successive terms for the head-of-state has traditionally been viewed with suspicion in Peru and other Latin American countries and is unconstitutional in most.

But the "Fujimori phenomenon" seems to have wiped clear the collective Peruvian memory. Mr Fujimori's domestic prestige and approval ratings, (still around 65 per cent, according to limited urban polls) are uncommonly high for a president past mid-term. The general feeling is that he should be given time to "finish the job".

Mr Fujimori scoffs at the arguments against successive terms. "Why should we follow the traditions of Latin America where corruption and poverty reign? We must break with taboos ... modernise ... look towards France, Spain, the US and Singapore," he says.

Associated Press

Alberto Fujimori: prestige and approval ratings are unusually high for a president past mid-term

Introduction of the death penalty for convicted terrorists also appears to have broad popular backing. Peruvians believe that Sendero Luminoso and MRTA guerrilla leaders, held responsible for 26,000 deaths and $22bn in material damage over 13 years, richly deserve to die. One leading opposition congresswoman has even spoken of "necessary social cleansing".

But the move will put Peru again on a collision course with human rights organisations. Crimes of terrorism in Peru are summarily heard by "faceless" judges in secret military tribunals. Amnesty International recently expressed concern that, with the death penalty approved, "prisoners could be executed ... following conviction in military trials which fall short of international standards".

A last lament from constitutional critics concerns the enhancement of already wide presidential powers, including the right to dissolve congress, and to appoint ambassadors and senior military and other officials without need for congressional ratification.

"This is just what Peru does not need," commented one senior diplomat in Lima. "What Peru should be doing is to strengthen its institutions, not the person of its president."

For constitutional expert Mr Marcial Rubio, "this one ... will last only as long as Mr Fujimori remains in power; shortly after he leaves it will be drastically changed. But that's nothing new in Peru."

Castro to open up Cuba's ailing economy

By Damian Fraser in Mexico City

PRESIDENT Fidel Castro has indicated that he will pursue further economic reforms to prop up Cuba's battered economy, including a greater opening to foreign investment and permitting Cubans to hold foreign currency.

Such proposals did not constitute "magic formulas", he said, and not all Cubans would benefit. But "we are ready to do everything that is necessary to save the fatherland, the revolution and the triumphs of socialism; that is to say we will not be dogmatic nor mad".

Mr Castro, speaking on Monday, the 40th anniversary of a guerrilla attack that officially marks the beginning of the Cuban revolution, painted a stark picture of the country's economic plight. He said imports this year would be just $1.7bn, against $2.2bn last year and $8.1bn in 1991, as a result of Cuba's collapsing hard currency receipts. Bad weather and fuel shortages caused the sugar crop to fall to 4.2m tonnes this year, leading to a reduction of about $450m in sugar earnings.

While the regulation of ownership of hard currency was still under study, all Cubans would be able to use their foreign currency in specially designated dollar shops.

When the new laws were passed, Cuba would introduce a national convertible currency, Mr Castro indicated. Apparently, this will not replace the Cuban peso as the currency of everyday transactions.

The Cuban government hopes that the measures will encourage exiles to send dollars to relatives, who will then convert the currency, possibly for dollar vouchers. In an effort to boost such revenues, Mr Castro said he would allow more visits to Cuba from Cubans living abroad.

Under US law its citizens can give up to $300 a quarter to a relative in Cuba. The US State Department said Cuba's decision to legalise ownership of dollars would not affect these limitations.

Mr Castro said the government would encourage "all productive activities and services that generate convertible currencies", especially in tourism.

NEWS: WORLD TRADE

UK group confident of £250m deal despite need for further funds

Taiwan PM backs BAe venture

By Dennis Engbarth in Taipei and Daniel Green in London

MR LIEN CHAN, Taiwan's prime minister, has approved a plan to support the £250m joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC). Some financial details have yet to be finalised, but BAe said yesterday that for the first time it regarded the deal as a certainty.

Mr Denny Ko, TAC's president, nevertheless, sounded a note of caution, saying the securing of further private sector funds required for the joint venture – Avro International Aerospace – could take another month.

The deal is central to BAe's drive to return to profitability. It would mean that manufacturing of the RJ range of regional jets would be partly in Taiwan, which is close to the fast-growing markets of east Asia and which offers lower labour costs.

The venture also offers Taiwan a route into the aviation industry and would let it upgrade its component industry and design and manufacturing capabilities.

BAe had set a July 31 deadline for conclusion of the deal but said it was satisfied with the Taiwanese government's "irrevocable commitment" to the deal yesterday.

Mr Ko said he might yet have to visit the UK for further talks with BAe. "I hope the [government's] commitment will also be enough for BAe to feel comfortable."

Mr Yang Shih-chien, Taiwan's deputy economics minister, confirmed the government would increase its direct equity holding in TAC from a previously planned 29 per cent to 39 per cent of the company's T$5.24bn ($129m) capitalisation.

This holding will be through two bodies; a government development fund, which will lift its stake in TAC from 24 per cent to 29 per cent, and the state-run Chiao Tung Bank, which will raise its stake from 5 per cent to 10 per cent. The China Development Corp, owned by the ruling Kuomintang party will also take a 10 per cent share.

Mr Yang said the economics ministry would officially request a local bank consortium led by the Chiao Tung Bank to extend a $400m secured credit line to Avro's leasing company and $60m in working capital.

TAC still needs to secure about T$1.3bn in equity inputs from private investors to reach its planned capitalisation of T$5.24bn.

Mr Yang added that the ministry of national defence would make the resources of its Aeronautics Industry Development Centre available for the project.

Lien Chan: plan approval

Pacific nations welcome US call for summit

By Victor Mallet in Singapore

PRESIDENT Bill Clinton's plan to hold an informal summit of the 15-member Asia-Pacific Economic Co-operation (Apec) forum in Seattle in November has won widespread support from Asian governments this week, to the surprise of the US and its Asian rivals.

Only Dr Mahathir Mohamad, the Malaysian prime minister, who advocates a more restricted group (known as the East Asia Economic Caucus) which excludes the US, has turned down Mr Clinton's invitation.

Most other Apec members, after some initial wavering at a meeting in Singapore between South-East Asian countries and their principal trading partners, have fallen in behind the US.

"I predict it will be a very successful event," Mr Warren Christopher, US secretary of state, told a meeting of American businessmen yesterday. Another US official said there was "strong support and enthusiasm" for the summit proposal.

Apec comprises the six members of the Association of South-East Asian Nations or Asean (Singapore, Malaysia, Indonesia, Thailand, the Philippines and Brunei), their main Asia-Pacific trading partners (the US, Japan, Australia, New Zealand, Canada and South Korea) and the "three Chinas" (China, Taiwan and Hong Kong).

The main problem facing the Apec summit is Beijing's assertion that the leaders of Taiwan and Hong Kong should not attend, as they represent regional economies rather than sovereign states.

The US says Apec, which was launched four years ago and accounts for about half the world's gross national product, will not be protectionist and will facilitate contacts between the Pacific nations.

Dr Mahathir, however, believes the US will try to dominate the organisation. Under a compromise reached among Asean members at the weekend, the EAEC will become a caucus within Apec but will be able to act independently.

The compromise has left Japan and South Korea uncertain as to whether they should join the EAEC at the risk of angering the US. "We are still somewhat puzzled by how it's going to work," Mr Christopher said of the EAEC compromise.

Air France links with US carrier

By Daniel Green

AIR France and Continental Airlines of the US yesterday agreed to co-ordinate their businesses.

Both carriers already have links with Air Canada and the new deal creates one of the biggest transatlantic alliances in the airline industry.

Air France and Continental will sell seats on each other's flights and adjust timetables to improve connections between their services.

The deal will also see the two airlines moving into each other's terminals in their main airports at Charles de Gaulle in Paris, and Newark, New Jersey. They are already together at Houston, Texas, another of Continental's hubs.

The two carriers will link their frequent-flyer incentive programmes, run joint promotions and link package tours.

The move is Continental's first collaboration since it emerged from Chapter 11 protection in April this year. It completes a triangular alliance that compares in size with other transatlantic teams such as British Airways and USAir and KLM and Northwest Airlines.

Continental's revenues last year exceeded $5bn (£3.3bn) and it serves 197 airports in 28 countries.

Air France's 1992 sales were FFr57bn (£6.44bn) and it flies to 228 destinations in 109 countries. In May, Air France set up ties with Air Canada along the lines it is likely to follow with Continental. The two carriers now have joint marketing, co-ordinated timetables and through booking to destinations on each other's networks.

Air Canada had, less than a month earlier, taken a 27.5 per cent stake in Continental as part of the arrangement which took the US carrier out of Chapter 11. It already does maintenance work on some Continental aircraft and has begun flights to Houston, one of Continental's main hub airports.

The alliance between Air France, Continental and Air Canada may increase pressure on other European and US carriers to conclude successfully discussions on closer co-operation.

American Airlines, one of the big three carriers in the US, has been in talks with several European airlines including Air France and Lufthansa of Germany.

The Air France, Continental and Air Canada link, as well as other recent international airline alliances, are a response to the increasing cost pressures faced by the industry. Even though passenger numbers are now recovering, the industry as a whole is likely to show a loss for the third consecutive year.

Trade marathon gets second wind

By Frances Williams in Geneva

THE four-way tariff-cutting deal at the Tokyo summit earlier this month has succeeded in reanimating the Uruguay Round of global trade talks in Geneva. However, real negotiations will not begin until the autumn, trade officials said yesterday.

Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, will use today's meeting of the overseer Trade Negotiations Committee to set out "mile posts" for the negotiations in the next three months, to ensure no momentum is lost.

The 116-nation Round, already three years' overdue, must conclude by December 15 when the US administration's negotiating authority expires.

The past two weeks have been taken up mainly with clarification of the accord reached on July 7 by the "Quad" nations (the US, European Community, Japan and Canada), to eliminate or slash tariffs on 18 categories of manufactured goods and make progress on liberalisation of trade in services. Line-by-line details of the accord became available only at the end of last week.

Quad negotiators have been explaining the deal's implications for third countries, and they and other participants have put down markers for bargaining on market access for manufactures, farm products and services.

However, exporters of farm goods have been disappointed by the slow start to bargaining on measures to open the market for agriculture, where the EC in particular has not been ready to negotiate. Agricultural products were not covered by the Tokyo agreement.

The hope is that, after consultations with governments, negotiators will return to Geneva at the end of August ready to deal across the whole range of market access issues. They must also tackle outstanding differences in the Uruguay Round draft rules package, where the US has raised a host of objections covering, among others, anti-dumping, textiles, intellectual property, and the creation of a powerful multilateral trade organisation.

NEWS IN BRIEF

ABB wins Indian locomotive deal

ABB TRANSPORTATION Systems, part of the Swiss-Swedish engineering group, has won a deal worth about $200m (£133.3m) to transfer mainline electric locomotive technology to Indian Railways, **Andrew Baxter writes from London.**

The deal, signed with India's Ministry of Railways, will be largely financed by the Asian Development Bank and covers technology transfer and delivery of 30 locomotives.

The 10-year agreement means India will become the first Asian country to have three-phase drive locomotive technology, incorporating sophisticated electronics and microprocessor control.

It is the first time ABB has granted a licence outside the company for the three-phase drive technology. A three-phase motor does not need a commutator, is lighter than conventional electric motors and more economical.

Chipmaker files complaint

National Semiconductor, the US chipmaker, has filed a complaint with the US International Trade Commission against Mitsubishi Electric of Japan. The complaint relates to a patent infringement suit also filed by the US company, **Louise Kehoe reports from San Francisco.**

National charges that Mitsubishi's semiconductor products infringe several broad patents covering basic semiconductor technology. The complaints were filed against Mitsubishi after "exhausting all possible negotiations for a cross-licensing agreement," National said.

US chipmakers, including National and Texas Instruments, which hold several of the earliest patents on semiconductor technology, have over the past few years increased the royalty payments they demand from competitors for licensing patents. They are also turning more frequently to the ITC in patent disputes.

National is asking the ITC to halt imports of semiconductor products that allegedly infringe its patents.

Japanese cosmetics dispute

Kawachiya, a Tokyo-based discount retailer, has taken Shiseido, Japan's leading cosmetics maker, to the Fair Trade Commission for denying the retailer shipments of the company's cosmetics, **Emiko Terazono writes from Tokyo.**

In a complaint filed yesterday with the FTC, the country's anti-monopoly watchdog, the retailer claimed Shiseido's actions were intended to stop the discounting of its high-grade cosmetics. Shiseido said Kawachiya was wholesaling cosmetics, rather than selling to retail customers.

Japan's cosmetics industry has maintained a tight grip on retail pricing through affiliated wholesalers and retail networks. Although resale price maintenance of cosmetic products was reduced to 24 items last year, retailers have continued to sell products at the manufacturers' suggested prices due to the fear of shipment cancellations.

Bulgaria rings the change

Bulgaria's telecommunications network is to be upgraded for business users by Telecom Netherlands, under a joint venture with the Bulgarian state telecommunications company signed yesterday, **Andrew Adonis reports from London.**

Telecom Netherlands will install and operate an "overlay business network" to provide an enhanced service for companies in or near Bulgaria's eight largest cities. International traffic will be routed via a satellite connection between Sofia and the Netherlands, established by Telecom Netherlands last October.

When completed, the network will have a capacity of about 10,000 lines. Bulgaria has one of eastern Europe's better telecommunications systems, with about 25 lines per 100 people.

● Treasury worried by European recession ● UK retail sales strongly upward ● Pound weakens slightly

Export fears raise pressure for interest rate cut

By Peter Marsh, Emma Tucker and James Blitz

PRESSURE for a cut in UK interest rates increased yesterday after a report from the Confederation of British Industry warned that weakening export markets in continental Europe put the recovery at risk.

The CBI's quarterly survey of manufacturing industry was less positive about growth prospects than three months ago and said companies remained cautious about stepping up investment due to uncertainties about demand.

The tone of the survey has been supported in recent weeks by confidential assessments of business conditions by the Bank of England and the Department of Trade and Industry, which have highlighted the threats to an upturn from export fragility and low UK demand.

These reports, part of a growing effort by UK policymakers to pick up insights about economic fluctuations from the industrial world, have given a strong hint to the Treasury that a cut in interest rates might be needed to put a firmer platform under the recovery.

In its regular monthly monetary report, the Treasury highlighted worries about the deterioration in the continental European economy while painting a relatively bright picture about UK prospects.

It said : "Activity in the main continental European economies seems to have been flat in recent months, and concerns over the prospect for [continental European] recovery have increased."

The report – based on the Bank of England's network of contacts with some 3,600 companies around Britain – said, however, that the trend in UK retail sales was strongly upwards, with other indicators pointing to recovery.

Many economists believe Mr Kenneth Clarke, the chancellor of the exchequer, is weighing up a 1 percentage point cut in base rates to 5 per cent, possibly to compensate for an increase in taxation in the November Budget to counter the deterioration in government borrowing.

This view was behind a switch out of sterling by investors, causing the pound to fall 2 pfennigs against the D-Mark to close last night in London at DM2.57.

Against the dollar, the pound shed more than 1 cent to close at $1.49, while on the London stock exchange share prices had their best day for two and a half months on general bullishness about easier borrowing conditions across Europe. Partly buoyed by theories that the German Bundesbank might cut interest rates at its council meeting tomorrow, the FT-SE 100 index of leading shares closed up 35.2 at 2,879.4.

The CBI's survey, a closely followed indicator of UK economic trends, showed that manufacturers' order books had strengthened in the past four months by the largest amount since 1990, clearly indicating an upturn.

But while underlining that inflationary pressures remained subdued,' the report indicated that the substantial growth in manufacturing output and exports in the first six months of the year might not be sustained in the second half.

Pinpointing the CBI's concern that by the end of this year capital spending by manufacturers on plant and buildings will be about a third down on its peak in 1990, Mr Howard Davies, the CBI's director general said recent economic trends were "a matter of concern for the sustainability of the recovery".

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Package recycling campaign ordered

By Bronwen Maddox, Environment Correspondent

The UK packaging industry must draw up plans for recycling between 50 per cent and 75 per cent of all packaging waste by the year 2000, the government said yesterday.

The move would make a "significant contribution" towards the government target of recycling a quarter of household waste by the end of the century, ministers argued.

The proposals drew a mixed response from industrialists and environmentalists, after the recent crisis in the German recycling scheme. German households have been enthusiastic in sorting their rubbish, but industry has been less keen to use recycled material, and mountains of unwanted plastic waste are growing steadily higher.

Mr Cameron Mclatchie, chairman of British Polythene Industries, one of Europe's largest polythene film producers said yesterday that the government's emphasis on recycling household waste was "totally unrealistic – it does not make environmental or economic sense, although it is politically easy to tell people they should recycle – it's what they want to hear".

He added that "we are not making a lot of money" recycling industrial plastic waste at the moment "and we not prepared to invest further until it becomes profitable".

Friends of the Earth criticised the lack of statutory targets in the measures. However Mr John Gummer, environment secretary, said that "if the industries concerned cannot satisfy us by Christmas that they are committed to achieving the objectives…we will need to move towards a legislative approach".

Mr Gummer is inviting senior packaging industry figures to produce plans within five months for reaching the new targets. He has stressed that he wants to avoid the "alarming imbalance in some [European] schemes…between what is collected and the ability to re-process it".

Some industrialists and consultants also questioned whether recycling could be environmentally damaging because of the extra transport and energy costs.

British Steel Tinplate, the division of British Steel which makes steel for steel cans, welcomed that proposals but said "we are concerned that the financial responsibility should not be placed solely on industry".

Wind of change puts fishermen on collision course

Alison Maitland on why an EC code prompted judicial review

PRICES have tumbled due to cheap imports from non-EC countires, putting pressure on fishermen, and helping to push them into confrontation with the government

A STIFF breeze is blowing across Newhaven harbour on the south coast and most of the port's trawlers are lying idle. Strong winds in the English Channel have put paid to another morning's fishing. It's a scene which helps to explain why fishermen are locked in bitter conflict with the UK government over the future of their industry.

This autumn the National Federation of Fishermen's Organisations (NFFO) will ask the High Court, through a judicial review, to block the introduction of new rules designed to conserve fish stocks. The rules, implementing an EC-wide agreement on cutting capacity, mean that boats over 10 metres long will be limited to the same number of days that they spent at sea in 1991.

The NFFO says a typical trawler spends about 180 days at sea and this could be cut to 158 days over the next three years under the new rules, reducing a crewman's wage of £15,000 by up to £3,000.

The fishermen say the unpredictability of the British weather adds to the injustice of being forced to tie up their boats for part of the year. "A great deal of the UK fleet is controlled by the weather," says David Scott, NFFO president and chairman of the Newhaven fishermen's co-operative. The best fishing months in Newhaven are September to December, but if trawlermen saved their quota of days until then, only to be stymied by the gales, they would have to risk dangerous seas or be left with unused days and less fish.

The rules were designed to help reduce the UK's fishing capacity by 19 per cent by the end of 1996 to preserve fish supplies. EC officials say cod is particularly hard hit, with North Sea breeding stocks at a record low of about 90,000 tonnes against a sustainable level of 150,000 tonnes.

Fishermen say they have no quibble with the principle of conservation. But this legislation has spurred them to blockade ports and organise mass lobbies of parliament.

If the rules take effect, they will be forced to flout them, says Mr Scott. "No way will they ever conform to being tied up. There will be head-on confrontation."

Their main complaint is that other EC fishermen do not face such restrictions. "We'll have UK vessels tied up and what they don't catch will be caught by the other member states, so it really won't do anything for conservation," says Mr Scott. He is referring particularly to French and Belgian Channel fishermen. But EC officials point out that Dutch fishermen, the main catchers of sole and plaice in the southern North Sea, have for some time faced limits on the days they can spend at sea.

The NFFO, which represents 6,000 fishermen in England, Wales, N Ireland, and the Channel Islands, also argues that costs such as insurance, harbour dues and boat maintenance will still have to be paid even though income may drop. Fishermen are already feeling badly squeezed by the 15 to 30 per cent plunge in the price of fish at the start of the year, when cheap imports from Russia, Iceland, Poland and Norway flooded the EC market.

In tandem with its legal fight, the NFFO is drawing up an alternative package to put to ministers in September. It includes larger mesh sizes for nets, bigger landing sizes and escape panels in trawlers – all designed to prevent juvenile fish from being caught.

Gillian Shephard, the agriculture minister, called for common international action this month, warning that without it "there will be no fish for anyone to fish, no jobs for any fishermen and no security for any fishermen's families."

But conservationists are partly on the fishermen's side over the tie-up rules. Mary Munson, fisheries campaigner at Greenpeace, says policing the seas is at the heart of the problem. Better monitoring of landings and inspection of boats at port by all EC states is essential, along with measures such as the European Commission's proposal to track boats by satellite, she says.

UK fishermen, suspicious of their European competitors, claim two hidden agendas: that the EC wants to reduce UK capacity to make way for the large Spanish and Portuguese fleets, and that Britain is intent on forcing its fishermen out of the industry without having to compensate them.

Ministry officials agree the choice of the controversial "tie-up" system was partly based on cost, although it is also seen as more enforceable than the conservation measures favoured by fishermen. The main alternative to restricting fishing days – a large-scale programme to pay fishermen to stop fishing – would be more than the Treasury would accept.

The government has already announced a three-year £25m programme, which it hopes will reduce the fleet by about 5 per cent. The UK has 11,000 vessels, of which 3,500 are over 10 metres. The fishermen and their supporters in parliament want a programme worth at least £50m.

Introduction of the tie-up rules has been postponed from October to next January to allow for wider consultation. If the NFFO wins its High Court action, the government may be forced back to the drawing board. Other member states, facing the same pressure to cut their fleets, will watch the outcome with interest.

Nuclear Electric to shed 2,000 jobs

By Michael Smith

NUCLEAR ELECTRIC, the state-owned electricity generator, said yesterday it expected to shed up to 2,000 jobs, more than 15 per cent of the total, this financial year as it disclosed an operating profit for 1992-3 of £661m.

The staff reduction, the biggest annual employment fall proportionally since the company was formed three years ago, comes as the company prepares for a government review of nuclear power which Nuclear Electric hopes will lead to privatisation.

Mr John Collier, chairman, said any privatisation decision rested with the government. However, he said, the company's commercial success would soon mean that a move out of the state sector would soon be seen as feasible and desirable.

Environmental groups said the results for last year were misleading. Mr Clive Bates, of Greenpeace, said that without £1.3bn from the nuclear levy, paid by electricity consumers, Nuclear Electric would have made a loss of £619m.

Nuclear Electric, which operates the nuclear power stations in England and Wales, says the levy is to cover problems inherited from the Central Electricity Generating Board, from which it was formed three years ago, but Mr Bates said part of the subsidy was being used to prop up the on-going business.

Nuclear Electric plans to reduce staff in the current year to between 9,300 and 9,500 by next March, compared with 11,377 at the start of the financial year four months ago and 14,164 when the company was formed in 1990.

A staff reduction of 1,300 in the year to March 31 helped the company improve operating profits by 37 per cent from last year's £482m.

Also influential was the radical improvement in the performance of advanced gas-cooled reactor stations which Nuclear Electric – and the CEGB before it – have struggled for years to make perform at full efficiency.

The company said yesterday all AGRS were 100 per cent available for large parts of the winter. This enabled it to increase its share of the electricity market by 14 per cent to 55 terrawatt hours and win 21.6 per cent of the electricity market in England and Wales, a 3 percentage point improvement.

Mr Bob Hawley, chief executive, said he expected his company to overtake PowerGen as the second largest generator in 1996. This would become possible after the Sizewell B power station in Suffolk on the English east coast, which Mr Hawley said was on budget and eight months ahead of schedule, starts producing electricity next year.

Goldman Sachs faces inquiry on Maxwell scheme

By Norma Cohen, Investments Correspondent

THE Securities and Investments Board has launched an inquiry into a transaction between Goldman Sachs, the US-based investment firm, and a pension scheme formerly controlled by the late Mr Robert Maxwell.

The move comes in spite of a decision by the Securities and Futures Authority, the self-regulatory body overseen by the SIB and which has primary responsibilty for Goldman Sachs' UK operations, that it did not consider disciplinary action necessary because the pesnion scheme transaction because it had been booked through Goldman Sachs in New York, and was therefore technically outside the jurisdiction of UK regulators.

But the SIB has told the Commons Social Security Committee that it had "come across a point which it does believe merits further UK inquiry".

It is believed that the SIB has learned that the transaction was cleared and settled in London, which could make it subject to UK regulatory rules.

If the SIB decides UK regulators do have jurisdiction over the transaction and Goldman Sachs is found to have breached UK securities rules, the SIB could order it to pay £56m to two pension schemes. It could also levy a fine.

The inquiry relates to a purchase of 12.5m shares of Maxwell Communications Corporation from the MCC Works Pension Scheme in April 1991 to two Swiss trusts established by the late Mr Robert Maxwell.

Goldman Sachs acted as agent in the sale on the orders of Mr Kevin Maxwell who ordered payment for the shares to be made not to the pension schemes but to Bishopsgate Investment Trust, a company representing Maxwell family private interests.

Major has more to worry about than words

Philip Stephens says the Christchurch by-election result is a bigger threat than the PM's indiscretions

SURPRISE, surprise. Mr John Major is a human being. Publication of the prime minister's off-the-cuff private conversation with a television journalist has provoked the inevitable synthetic horror from some in the press.

My goodness, Mr Major occasionally uses four-letter-words. (Journalists and their editors never, ever swear). He is fed up with some of his cabinet colleagues. He is scathing about the has-beens and never-has-beens on the Tory backbenches. He knows that he is referred to as a wimp.

Those who take the trouble to study his conversation with Mr Michael Brunson of ITN, inadvertently recorded and later published in full by the Daily Mirror newspaper, will see the sort of exchange which occurs every day at Westminster between journalists and senior politicians.

Mr Major swears a great deal less than some of his cabinet. He is kinder about his colleagues than some of them are about him. He is far too sensitive about what journalists say, but he can occasionally make fun of himself.

As anyone who has spoken to him for more than a minute or so knows, he is more impressive in private conversations than when he is in front of a camera or on a podium.

He makes no secret of his bitterness towards those who have used the conflict over Maastricht to undermine his political authority. He feels hemmed in by the combination of a small majority and the burning resentment of the Thatcherite dispossessed. The label "bastards" was pinned on these embittered souls rather than on anyone in particular in the cabinet.

His unguarded comments do reveal some of his weaknesses – his reluctance, for example, to sack errant ministers. They have raised eyebrows also among those of his colleagues who have been admonished for speaking too freely to the press.

By and large, however, the episode confirms the view of those insiders who have been saying for some time that as the Maastricht battle has drawn to a close Mr Major's confidence has begun to return. He is said to be sharper in cabinet committee meetings, less tolerant of the meandering debate which clogs up the Whitehall machine.

He is trying to be himself again. Sir Gordon Reece, the man who built Lady Thatcher's prime ministerial image, no longer pays his weekly Sunday evening visit. Mr Major has even been seen pulling out his election soapbox to address informal gatherings at No 10.

It would be nice then to say that, now with Maastricht over and the public offered a glimpse of the prime minister's more assertive inner self, his abysmal standing in the country might begin to recover.

Sadly a few more unpleasant realities are about to intrude.

Unless the electors of Christchurch have been engaged in a gigantic and inexplicable confidence-trick, Friday morning may see the Conservative party waking up to the biggest by-election defeat in post-war history.

Ministers insist it has been well-discounted. The summer recess means fewer of the awkward squad on the Tory backbenches will be around to snipe at the prime minister from radio and television studios.

But the anticipated defeat will reverberate through the already-disgruntled, and in some cases openly rebellious, local party associations.

The October conference, with revolts looming over the imposition of VAT on domestic fuel, on law and order, on Europe, and on much else threatens to be what one (indiscreet) senior minister terms "a wretched affair".

If that fear is realised the buck will stop with a prime minister whose reputation for niceness was replaced some time ago with one for weakness. The party faithful, as much as the country at large, want that indefinable quality called leadership. So do the Tory MPs upon whose nerve – or lack or it – Mr Major's future will depend during the winter.

They also want a sense of direction. The prime minister has failed to articulate a coherent programme for his government. After 14 years in office the promise of a crackdown on crime and a burst of deregulation is not enough.

The anti-Europeans alone cannot topple him. The danger is that the uncommitted centre of the Tory party at Westminster is losing faith in his leadership.

There are ideas around in Downing Street for a new prospectus. Sustaining an investment-led economic recovery, rebuilding industrial competitiveness and a linked drive to revitalise education and training policies are among the themes. But the prime minister has yet to put a thread through the beads. An unpopular November budget will limit his room for manoeuvre. Legislation to allow higher British contributions to Brussels will give the Euro-sceptics the opportunity to launch another assault.

The odds are that his unscripted outburst last week will do him no harm among the voters. It might even do him some good. But either way Mr Major has more important things to worry about.

N Ireland to receive half of £2bn EC aid funding

NORTHERN Ireland will receive more than half of the £2bn worth of European Community funding allotted to help the UK's poorest regions over the next five years, writes Paul Cheeseright.

Mr Tim Sainsbury, the industry minister, said in a Commons written answer yesterday that Northern Ireland would receive £1.04bn, with £690m going to Merseyside and £260m to the Highlands and Islands.

EC ministers last week decided how to apportion the Community's structural funds between the 12 member states. The UK receives funds for Northern Ireland, Merseyside and the Highlands and Islands because the regional gross domestic product of these regions is 75 per cent or below the EC average.

Although there is no EC check on how the funds are spent, structural fund regulations commit the UK government to spend a sum which is at least 25 per cent of that provided by the EC.

The poorest regions are classified 'Objective One' in EC jargon. A map of regions classified 'Objective Two', because they cope with industrial decline and are eligible for other EC structural funding, is to be published in the autumn.

Britain in brief

S&P queries strength of Lloyd's

Standard & Poor's, the leading US credit rating agency, has questioned the quality of the financial security of the Lloyd's of London insurance market.

"There is too much uncertainty regarding Lloyd's to apply a specific rating, but the insurance market does not appear to offer the highest level of security," said Mr Gardner, managing director of S&P's insurance ratings service.

He added: "All we are saying is it is not triple-A any more. There is no danger whatsoever of Lloyd's ceasing to to trade." S&P has not assigned Lloyd's a rating on its ability to pay claims as it did not have access to unpublished data.

Lloyd's losses amount to more than £6bn in the last five years, while the market's capital base has fallen from £11.1bn to £8.7bn since 1990. Lloyd's recently reported its worse ever annual loss of£2.9bn for 1990.

Ministers open to legal action

In a landmark constitutional ruling the House of Lords has decided ministers of the Crown are not immune from proceedings for contempt of court.

Five law lords ruled that Mr Kenneth Baker, former Home Secretary, was guilty of contempt in his official capacity, but not personally, over the deportation of an asylum seeker in 1991 in defiance of a court order.

The law lords rejected the Home Office's claim that there was no power to enforce the law by injunction or contempt proceedings against a minister of the Crown in his official capacity.

Compromise hint on Nadir

Northern Cyprus has given its strongest indication to date that it may be prepared to abandon its previously uncompromising protection of Mr Asil Nadir, the fugitive former Polly Peck chairman.

The north Cypriot authorities, with the apparent blessing of the Turkish government, have invited senior officers of the Serious Fraud Office to the island without any apparent diplomatic 'strings' attached.

Previously the SFO had argued that it was unable to pursue its investigation of Mr Nadir on the island because the local authorities and Ankara were insisting on a formal diplomatic exchange. This would have implied British recognition of Turkish sovereignty over northern Cyprus which the UK refuses.

Scott clashes on arms policy

Lord Justice Scott, leading a public inquiry on UK trade with Iraq, has clashed with a senior government official over the apparent lack of public accountability on arms policy.

Questioning Mr Ian Blackley of the Foreign Office during the inquiry, the judge said that government documents indicated a mistrust within Whitehall of the public which had led government to restrict the information made available to parliament on defence exports.

The issue emerged as the judge questioned Mr Blackley on why as assistant head of the Foreign Office's Middle East department he had approved the export of machine tools made by Matrix Churchill and other UK manufacturers in spite of knowing that they were in breach of the government's guidelines.

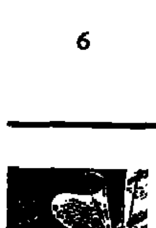
Auditors fail to halt inquiry

Accountants Price Waterhouse failed in a court attempt to halt a disciplinary inquiry by the Institute of Chartered Accountants into the firm's role as auditors of the collapsed BCCI, the corrupt international bank.

Package tours to attract 8m

Almost 8m people are expected to take package holidays this year, bringing demand back to 1989 levels, said Lunn Poly, the UK's largest travel agency.

MANAGEMENT



Organisations are rather like giant jellies, says Richard Heygate, a partner at McKinsey & Co, the consultancy. If you resculpt too limited a part of them, they wobble back into their old form. But if you try to remould too much at once, the whole effort becomes unmanageable and they collapse into a quivering heap. The jelly may even become rock-solid and resistant to further reshaping.

Heygate's simile is imperfect: jellies seldom wobble back into place when tampered with. They usually emit rude noises, and topple sideways. But it does give a taste of why many companies are finding it so hard to succeed at the "re-engineering" of business processes – or what he calls "core process redesign". It also helps explain why a widespread chorus of rude and cynical noises is already bursting forth in the US and Europe about the fashion for re-engineering.

James Champy, co-father with Michael Hammer of the re-engineering concept* and chairman of CSC Index, a McKinsey rival, puts the problem in more down-to-earth terms. Many re-engineering exercises fall flat, he says, because an organisation's senior managers "do not really have an appetite for discontinuous [radical] change, and all the pain that goes with it". Many do not appreciate the degree of change required – not just in business processes, but in managerial behaviour and organisation structure.

These are some of the reasons why Champy says that only 5 or 10 per cent of the companies which say they are "doing re-engineering" actually are – even though he says the rest will have to follow suit over the next five years "or else they'll be out of business".

"The term re-engineering is misapplied widely – almost to any sort of change programme", Champy complains. People even mistake it for "downsizing" – laying people off. At best, says Heygate, "what all but a few companies are doing is really just total quality management – fixing certain processes from the bottom up. So it's not surprising that well-publicised gains in individual processes are failing to be translated into dramatic improvements in the performance of the whole organisation".

CSC Index and McKinsey probably have more experience in process redesign on both sides of the Atlantic than any other global consultancy, except possibly Gemini. Some of the Boston Consulting Group's extensive work on "time-based competition" is also re-engineering under another name.

CSC Index and McKinsey may be arch-rivals, but they concur reasonably closely on the main points where companies are tending to go wrong with re-engineering (or "core process redesign").

Christopher Lorenz examines the misunderstandings and challenges surrounding process re-engineering

Sculptors in jelly

Champy's checklist of re-engineering "do's" and "dont's" is dauntingly long. In addition to those already mentioned, he says failures occur when top management neglects to redefine clearly what he calls the organisation's future "operating model", the extent to which its competitive edge needs to come from superior customer service, manufacturing efficiency, or innovative products and services – or a mixture of all three.

McKinsey consultants call this a company's "value proposition": a statement of the distinctive value it proposes to deliver to customers. From this should flow an analysis of which business processes are "core" to its competitiveness, and which therefore need the most urgent attention. "Too often re-engineering addresses non-critical elements of the business", agrees David Hall of Boston Consulting Group.

Management may also harbour inadequate ambitions for the organisation's performance in its core processes, continues Champy. For re-engineering to have a chance of working, he says, a series of specific targets must be set for increases in market share, quality and service standards, and for reduced costs and capital. These targets must be enumerated and articulated in a way which challenges the organisation effectively.

Champy sees other snares – failure to grasp the need for the organisation's management style to change entirely, from command and control to empowerment; and the tendency to get waylaid into "mapping" all the organisation's existing processes before re-engineering any of them.

The mapping snare may seem relatively trivial, but it "creates a lot of useless work that delays you from getting on with what needs to be done – sometimes for years", says Champy. He blames the failure of a big IBM re-engineering exercise several years ago partly on this tendency. Process mapping is "an invention of the consulting profession to keep a lot of junior consultants busy", he says.

Champy's advice is augmented by John Hagel, a colleague of Heygate's at McKinsey, who has produced one of the most useful checklists of tips about "keeping core process re-design on track"**. He lists a string of "red flags" which provide early signs that something is going wrong. They include:

- Inadequate management attention. For a redesign to be successful, the chief executive and several other senior managers must devote up to half their time to it, for its entire duration;
- Inadequate urgency and stamina. Between a third and half of the total performance improvement should be deliverable in the first six to 12 months of implementation; such "early wins" are key to sustaining the effort's momentum. But the rest may take two or three years to achieve.
- Inadequate focus. When a company says "we've defined 40 or more core processes" (as Xerox did at one stage), this is a strong warning signal. Most businesses can be broken into three to five core processes (Xerox now lists only seven); any further subdivision means big cross-functional performance improvements may be missed.

By the standards of conventional "change management" programmes, Hagel's target of completion within three years looks over-optimistic for anything more than the redesign of a single core process; most companies have found from bitter experience that it takes far longer than that to accomplish successfully a broad programme of radical change.

The challenge of re-engineering is "to learn how to do big change fast", says Champy. Disarmingly, he admits that consultants have almost as much to learn as clients.

* *See Re-engineering the Corporation. Nicholas Brealey. £16.99.*

** *Published in The Case for Core Process Redesign. McKinsey & Co, 74 St James's St, London SW1A 1PS.*

This concludes the series. Previous articles appeared on May 24, June 2, 11, 18, 24, July 5, 12 and 23.

Pizza to stay – with extra tenacity

A bankrupt company is every manager's nightmare. Ian Hamilton Fazey on how one man survived

If Stateside Foods ever becomes grand enough to merit a coat of arms, Roy Goodall has his Latin motto ready – *nunc etiam adsumus*, meaning "we are still here."

The English version has been his standard phrase to customers inquiring after Stateside's corporate health during the past 18 months. It lost £1.65m during 1990 and 1991, scraped through to break even last year, but is forecasting £526,000 profits for 1993 on projected sales of £5.5m.

The company makes chilled pizzas for half a dozen supermarket chains at its factory in Haslingden, Lancashire. Checks on its health followed lay-offs, a withdrawal of overdraft facilities by its bank and a whispering campaign by some competitors in the UK pizza makers' war for supermarket shelf space.

In the jargon of corporate finance, the company is a bimbo – a buy-in-management-buyout. In September 1991, Goodall bought into a management-buyout gone wrong. It needed his expertise as a former big-company general manager and, before that, a marketing man.

The company had been bought by its management two years before, but inadequate controls had seen rapid sales growth offset by deepening trading losses.

Goodall's career had plateaued with middle age. He and his wife decided to do something on their own and opted for Stateside.

But, as Goodall told a CBI-Grant Thornton north-west regional conference last month, a nightmare was about to begin. After three months, he upgraded the quality of its advisers from the "man and a dog" level his predecessors had been content with and discovered that the balance sheet had a £500,000 hole in it.

Over-optimism had led to mis-statements of creditors, debtors, stocks and assets which the previous auditors had ticked, rather than challenged.

The accounts had looked satisfactory at the time of the buy-in, but it needed some hands-on experience of Goodall's type to make the realistic assumptions that would pierce the facade.

As the reality sank in, he realised he was in up to his neck in a bankrupt company. In the days between Christmas and New Year, he told his bank. The business was originally founded in the Midlands and the bank was 170 miles away. He and the manager hardly knew each other. Facilities were immediately withdrawn. "I certainly don't blame them," he says. "I would have done the same."

An interview followed with an insolvency practitioner which made Goodall feel much better. He was told he was legally obliged to act in the best interests of Stateside's creditors. Here was a dilemma. Closed down, Stateside's assets would not fetch enough to pay everyone off, but the company was by then trading in profit on a day-to-day basis and he believed its sales forecast was healthy and realistic, with a firm contractual base.

Cheap audits cannot be worthwhile if they merely comply with legal requirements and do not reveal the company is heading towards bankruptcy

The creditors' best chance of getting their money was for Stateside to carry on trading – without incurring more debt, as this would have been illegal. The main creditors took the point and converted what they were owed into medium-term loans, bolstering the balance sheet and taking pressure off cash flow.

Sales were factored, so that 80 per cent of revenue was immediately guaranteed each week and supplies could be bought on a pay-as-you-go basis. "If you want to see just-in-time practised as an art form, we are it," Goodall says.

The payroll had already been slimmed from 80 to 34. He told everyone what was going on, asked for commitment and co-operation – and Stateside gingerly started trading its way out of the nightmare.

Confidence grew with sales, and Stateside made an important capital purchase – a second-hand burglar alarm, bought for cash, after a spate of pizza robberies. Next came a Tannoy and music system to bolster morale on the production line.

By this time last year, suppliers and – encouragingly – would-be suppliers resumed talking about credit. Sales grew and Stateside achieved a £200,000 trading profit last year, although this was reduced to break-even, pre-tax, by finance charges. The company now looks like surviving. Two prospective buyers have already been turned down. Sales, production and profits are rising weekly.

Goodall is confident enough to talk about his experience and pass on what he hopes are the lessons. The 60 company owners and their advisers at the conference – on why some companies break through to big growth while others do not – listened spellbound.

Tenacity, commitment and realism were some of his messages. Others concerned simplicity of vision, hard work, consistent quality of product and making the best use of people. "The majority of venture capitalists and bankers only look at the balance sheet and past performance," he said.

"The emphasis is on the past, which usually undervalues the business and most certainly undervalues the people. Surely, sustainable profits and earnings per share are what really count."

He stressed the need for good professional advice, even though this might cost more. Cheap audits cannot be worthwhile if they merely comply with legal requirements and do not reveal the company is heading towards bankruptcy.

Advisers should add value, offering constructive criticism to ensure accounts reflect reality.

LEGAL NOTICES

HEADINGTON PAPER LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Headington Paper Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Headington Paper Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 825181

ROBERT MAXWELL HOLDINGS LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Robert Maxwell Holdings Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Robert Maxwell Holdings Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1982081

VISTA COMPUTERS LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Vista Computers Limited(In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Vista Computers Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1326240

SQUIRES APPOINTMENTS (SOUTHERN) LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Squires Appointments (Southern) Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Squires Appointments (Southern) Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2265501

BGA SURVEYS LIMITED (FORMERLY RESEARCH SURVEYS OF GREAT BRITAIN LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of BGA Surveys Limited (formerly Research Surveys of Great Britain Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of BGA Surveys Limited
(Formerly Research Surveys of Great Britain Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No.712855

BGA RMI LIMITED (FORMERLY IMR LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of BGA RMI Limited (Formerly IMR Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of BGA RMI Limited (Formerly IMR Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1988357

BGA QUESTQUAL LIMITED (FORMERLY QUESTEL QUALITATIVE TECHNIQUES LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of BGA Questqual Limited (Formerly Questel Qualitative Techniques Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of BGA Questqual Limited
(Formerly Questel Qualitative Techiniques Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2187825

MAXWELL MEDIA TRUST PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Maxwell Media Trust plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Maxwell Media Trust plc
P.O. Box 56
1 Surrey Street
London
WC2R 2NT

Company No. 2000531

MAXWELL LEGAL SERVICES PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Maxwell Legal Services plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Maxwell Legal Services plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2192187

TNPL REALISATIONS LIMITED (FORMERLY THE NUFFIELD PRESS LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of TNPL Realisations Limited (Formerly The Nuffield Press Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of TNPL Realisations Limited
(Formerly The Nuffield Press Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 208024

INDEXPRIDE LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Indexpride Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Indexpride Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2406760

ROBERT MAXWELL GROUP TRADING PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Robert Maxwell Group Trading plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Robert Maxwell Group Trading plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2341533

VIP MARINE & AVIATION LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of VIP Marine & Aviation Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of VIP Marine & Aviation Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1737211

HOLLIS INDUSTRIES PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Hollis Industries plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Hollis Industries plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2249113

LINKRIGHT LIMITED (FORMERLY MARTEN WALSH CHERER LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Linkwright Limited (Formerly Marten Walsh Cherer Limited)(In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Linkright Limited
(Formerly Marten Walsh Cherer Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1226683

LINKRIGHT LIMITED (FORMERLY MARTEN WALSH CHERER LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Linkwright Limited (Formerly Marten Walsh Cherer Limited)(In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Linkright Limited
(Formerly Marten Walsh Cherer Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1226683

TEL LIMITED (FORMERLY THE EUROPEAN LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of TEL Limited (Formerly The European Limited)(In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of TEL Limited
(Formerly The European Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2327305

LONDON & BISHOPSGATE HOLDINGS PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of London & Bishopsgate Holdings plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of London & Bishopsgate Holdings plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No.2188892

AGB INTERNATIONAL PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of AGB International plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of AGB International plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 115634

MAXWELL MEDIA PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Maxwell Media plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Maxwell Media plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2192319

METROMODE LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Metromode Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Metromode Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1658498

MAXWELL CABLE TV LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Maxwell Cable TV Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Maxwell Cable TV Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2463398

BGA AUDITS LIMITED (FORMERLY AUDITS OF GREAT BRITAIN LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of BGA Audits Limited (Formerly Audits of Great Britain Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of BGA Audits Limited
(Formerly Audits of Great Britain Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 713383

AGB RESEARCH PLC (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of AGB Research plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of AGB Research plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 873905

BGA TELSALES LIMITED (FORMERLY AUDIENCE SELECTION & TELSALES LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of BGA Telsales Limited (Formerly Audience Selection & Telsales Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of BGA Telsales Limited (Formerly Audience Selection & Telsales Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1134968

PROFESSIONAL & EXECUTIVE RECRUITMENT LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Professional & Executive Recruitment Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Professional & Executive Recruitment Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2256832

LRM LIMITED (FORMERLY THE MEDIA REGISTER LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of LRM Limited (Formerly The Media Register Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of LRM Limited
(Formerly The Media Register Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1980259

REPAS LIMITED (FORMERLY MEDIA EXPENDITURE ANALYSIS LIMITED) (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Repas Limited (Formerly Media Expenditure Analysis Limited) (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Repas Limited
(Formerly Media Expenditure Analysis Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 895111

MAXWELL CENTRAL & EAST EUROPEAN PARTNERS LIMITED (In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Maxwell Central & East European Partners Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of Maxwell Central & East European Partners Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2182708

FINANCIAL TIMES SURVEY

RESOURCE MANAGEMENT: BUYING-IN SERVICES

Wednesday July 28 1993

UK government market testing programme: first round - what activities are to be tested?

	Agriculture	Customs & Excise	Defence	Education	Employment	Environment	Foreign	Health	Home Office	Inland Revenue	Lord Chancellor	National Heritage	Northern Ireland	Cabinet Office	Scottish Office	Social Security	Trade & Industry	Transport	Treasury	Welsh Office
Payroll	X			X	X						X	X		X			X			
Pensions				X	X							X								
Internal audit		X			X			X	X		X		X	X		X			X	X
Accountancy/finance						X			X			X		X		X	X			
Information Technology	X	X	X	X	X		X		X	X			X	X		X	X	X	X	X
Statistical surveys		X						X	X		X				X				X	
Library services	X					X		X	X		X	X			X				X	
Publicity/Public Relations					X				X		X			X			X			
Reprographics		X			X	X				X	X			X	X		X		X	
Estate/building management	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X			X	X
Legal		X									X		X		X	X				
Personnel	X								X		X			X	X		X		X	X
Office services	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Departmental specific activity	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

X Services to be tested by September, 1993: Value £1.5 billion; involving 44,250 staff; more than 350 areas of activity

Source: Cabinet Office

● ON OTHER PAGES: the UK government's market-testing programme: PAGE TWO.

● Why private sector service companies are gaining ground in local services: PAGE THREE.

● Outsourcing applications in the private sector: stronger emphasis on collaboration: PAGE FOUR.

● Benefits of facilities management. Case study: strategic partnership in information services: PAGE FOUR.

● Confusion over the EC's directive on contracting-out: PAGE FIVE.

● *Graphics by Bob Hutchison.*

Contractors cash in on battle to keep down costs

Organisations in the public and private sectors are increasingly buying-in specialist services – or "outsourcing" – allowing them to cut costs and concentrate on their core business activities, reports **John Willman,** Public Policy Editor

BUYING-IN services as a better way of managing resources is a management idea whose time has come.

It comes in many forms: outsourcing, contracting-out, facilities management, market-testing, compulsory competitive tendering, interim management.

But whatever the label, it is steadily spreading throughout business and industry, and into the public sector. And a host of new and established companies see interesting opportunities for growth in selling services to private and public sector organisations.

In its various guises, the underlying idea behind buying-in services is the same.

Sir Peter Levene, Efficiency Adviser: overseeing progress in the civil service – see page 2

Organisations should concentrate on their core activities and buy in other services they need from specialists. Good resource management means that they should "stick to their knitting," as the business schools would put it.

In one sense, there is nothing new in the idea. Since the dawn of capitalism, business has functioned through the division of labour. Factories buy raw materials from mining companies, components from specialist manufacturers, and distribute their products using transport contractors.

Initially this division of labour was between different steps in the chain of production. But increasingly, there has been a division of labour *within* each step in the chain.

A car-maker, for example, will contract out support services necessary for the smooth running of the factory such as catering, cleaning and security. Making sandwiches and employing part-time cleaners require different skills to car-making, and specialist companies have sprung up to supply them.

What is new is that this process has recently gone much further, as companies increasingly buy in services which are close to the core of their business. It is no longer low value-added services which are contracted out: highly skilled functions central to business success are now increasingly supplied by specialist contractors.

For example, information technology has become increasingly the preserve of the specialist, with many non-IT companies finding it is no longer sensible to try and provide all their needs in-house. They may find it more convenient to have their IT function staffed by an outside facilities management contractor. Or they can go for outsourcing, buying in all their IT needs from a company which can offer leading edge technology and flexible capacity.

Now outsourcing is going beyond IT, reaching right into the heart of businesses by providing personnel, training, accountancy, office services – even frontline staff for service organisations. Facilities management can involve contracting out the running of an entire plant or office facility to a specialist who may in turn sub-contract much of the work. Interim management can supply top managers to fill temporary vacancies or drive through special projects

A good example of the extent to which core business functions can be contracted out is provided by IBM's UK national call management centre at Havant. The centre's 100 operators handle 27,000 calls a week from IBM customers requesting computer maintenance. Providing a responsive, high-quality service is central to the company's image.

Yet the centre is staffed almost entirely by personnel supplied by Manpower, the recruitment specialists. Manpower recruits the staff, trains them and remains their employer. Indeed, Manpower managers fill five of the nine places on the centre's management committee.

According to Mr Mike Coleman, the centre's manager, the arrangement gives him flexibility and keeps costs to a minimum. And although the key frontline staff are not his employees, the partnership with Manpower allows him to offer the quality of service he regards as essential if the centre is to win new call-handling business.

Now well-entrenched in the private sector, buying-in services is spreading throughout the UK public sector.

Once again, the process started in support services, with compulsory competitive tendering in the health service, local government and the civil service. During the 1980s, cleaning, laundry, catering, security, buildings maintenance, waste removal, reprographics and many other mainly blue-collar functions were contracted out.

In some cases, contracts have been won by the existing staff, bidding as an in-house team. However, the in-house teams have had to form themselves into direct labour organisations, re-organised to become competitive in the market-place. In local government, they are set targets for rates of return on capital, so that they do not take undue advantage of their control of the existing assets.

Thus, even when the in-house team wins, the pres-

William Waldegrave, the UK's public services minister: looking for cost-savings – see page 2

sures of competitive tendering make them perform as independent contractors, with the same incentives to cut costs and raise efficiency.

From buying-in support services, contracting-out in the public sector is moving into white-collar areas of work, just as it did in business:

● In local government, compulsory competitive tendering is to be extended to white-collar services such as IT, housing management and corporate services from 1995. Many local authorities have already begun outsourcing some of these functions because they see it as a better way of providing non-core services.

● In central government, the market-testing programme will this year put 8 per cent of civil work out to tender, with similar amounts in each of the next three years. Core administrative tasks are being market-

Continued on page three

John Willman examines the progress of the UK government's market testing programme

Big boost for bought-in services

THE UK government's market-testing programme, launched last November, has provided a massive boost to Britain's market for bought-in services.

In the first year of the programme alone, almost £1.5bn of services has been put out to tender, involving work currently done by 44,000 civil servants.

Even larger amounts are expected to follow over the next three years, with as much as half the civil service annual running costs of £20bn likely to have been exposed to market-testing by the time of the next election.

Progress on the first year's programme has been slow, with a sizeable part unlikely to be completed by the end of September as originally planned.

While it is too soon to predict the final outcome, it

A £50bn deficit in the government's finances gives added impetus to seek greater efficiency

appears that around half the work on tenders already completed has gone to the private sector, with the in-house team winning the remainder.

No data is yet available about the likely savings which will come from the first round of market-testing. When Mr William Waldegrave, the public services minister launched the programme last year, he said that savings of up to 25 per cent might be possible.

The experience of compulsory competitive tendering in local government suggests that this may be an ambitious target.

Research by the Department of the Environment shows average savings of 6.5 per cent, while the Audit Commission, the local government watchdog, estimated a reduction in costs of 7 per cent from contracting-out.

However, Mr Waldegrave emphasises that cutting costs is not the only objective: market-testing should contribute to improving the quality of public services.

Writing the specification for work that is to be put out to tender forces managers to define the outputs they wish to achieve from the activity. Even if the contract goes to the in-house team, they will in future be working to agreed standards, with penalties if they do not achieve their targets.

And on the principle that the people already doing the job may be best placed to know how to do it better, departments have provided advice and resources to help the in-house teams in drawing up their bids.

Giving the in-house team the opportunity to bid has not been universally popular among private sector bidders. There is widely-held fear that the contracts are structured to favour the in-house team. There are also suspicions that managers in charge of the market-testing programme in departments may be biased towards their colleagues' bids.

Accusations of "tilted playing fields" are equally common among in-house teams, however. They fear that the ministers who will make the final decisions have a bias towards private sector bidders. They also accuse contractors of sweeping away the good employment practices of the civil service to cut costs.

Only the final results of the first round will show whether the market-testing progress has been fair, according to one civil servant involved in driving the programme forward – "providing both private sector bidders and the in-house teams have won a reasonable share of contracts, then neither side will be able to cry foul."

The work being put out to tender covers a wide range of functions, including the traditional support services such as cleaning, catering, security and reprographics. But the programme has also invited contractors to bid for more mainstream activities, such as information technology services, audit and accountancy, legal services, payroll, typing and secretarial services.

And some government functions which might be described as core civil service work have been included in the programme, including the collection of official statistics, naval surveillance operations for Customs & Excise and ship radio licensing.

The first round has not been entirely free of hitches. Perhaps the most embarrassing was the series of escapes of prisoners in the care of Group 4, which won the contract for prison escort services in the East Midlands, Humberside and Yorkshire.

The company said that many of the escapes were attributable to the faults of others. But the "leakage" proved highly damaging to the credibility of the market-testing programme.

The Prison Service Agency and the Home Secretary staunchly resisted calls to terminate the contract and the contracting-out of prison escort services. And after three months of the contract, Group 4 now says that it has lost less than half the number of prisoners who escaped from the police or prison service during the same period last year. However, their much-publicised problems may have slowed up further progress on contracting out such high-profile work.

Another embarrassing hitch came when Inland Revenue mailings to employers at the start of this tax year, handled for the first time by private contractors, went awry with information on individual taxpayers sent to the wrong addresses.

This situation rekindled doubts among MPs over whether the standards of the private sector in handling confidential information matched those of the civil service.

The first months of the programme were also dogged by uncertainty over the employment rights of public sector employees whose work was contracted out to the private sector.

There was disagreement – even among the government's legal advisers – over whether the Acquired Rights Directive applied to market-testing. If it did, successful bidders would have to take over the existing

Despite early uncertainties and setbacks, the programme is now forging ahead

staff and their civil service terms and conditions.

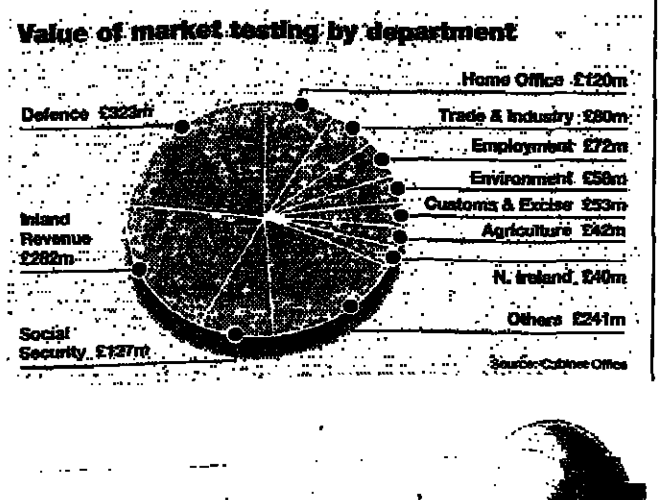
The uncertainty led to some departments suspending their market-testing activities, while others had to retender for contracts when it became clear that the directive applied to them.

It was several months before the law officers issued a definitive ruling that the directive could apply to market-testing, requiring each contract to be examined to see whether it applied to it.

But despite these setbacks, the programme is now forging ahead. Already departments are drawing up lists of activities to be market-tested next year and planning for the two following years. Pressure to expand their programmes is being applied to departments which have under-achieved this year in comparison with other departments.

Ministers remain committed to the market-testing process, as a stimulus to improving value for money in the civil service. With a £50bn deficit in the government's finances, there is little choice but to use every weapon in the armoury to promote efficiency in central government services.

Value of market testing by department



PUTTING almost £1.5bn of work out to tender in a single year is an ambitious target in any large organisation. For the civil service, this 60-fold increase in its market-testing programme has required a step-change in the way it approaches the delivery of government services.

Overseeing the change is Sir Peter Levene, the investment banker who acts as the prime minister's efficiency adviser. Sir Peter, 51, is deputy chairman of Wasserstein Perella, the US investment banking concern, and chairman of the Docklands Light Railway.

He declares himself well pleased with progress in this first round of the current programme, which is due to be completed at the end of September.

"We got off to a slow start because of all the argy-bargy over the employment rights of civil servants whose jobs were contracted-out. And the process was foreign to many departments which had to learn how to do it. But people have now 'got the bit between their teeth' and are making progress.

"I really have no idea how much of the work is being contracted-out, since the tests are still going on. There is no doubt, however, that some very substantial contracts are being placed."

Sir Peter has also been pleased at the interest shown by the private sector in bidding for civil service work.

Profile: Sir Peter Levene, Efficiency Adviser

Well pleased with progress

A conference organised in January to attract private sector interest was so over-subscribed that it had to be repeated to accommodate the 1,200 business executives who wished to attend.

However, there were a lot of misconceptions at the outset, according to Sir Peter. He is anxious to counteract the view that the market-testing programme is an attempt to contract-out large parts of civil service work.

"The programme asks whether work done by government departments could be done better by an outside body and whether the present team doing the work could come up with better ways of doing it.

"Armed with that information, you can then decide how to go forward – whether the work stays in house unchanged, or stays in house on a rather different basis, or an outside body does the work.

"The object of the exercise is to find the best way of doing the work. If it ends up being contracted out, that is one solution, but it's not the only one."

That may not be what many in the private sector want to hear. There is a feeling among

Sir Peter Levene: "Market testing puts everything under the microscope"

some contractors that the way in which contracts have been parcelled up and the inside track enjoyed by the in-house team have loaded the dice too heavily against them.

Sir Peter is unapologetic, however – "when you launch a programme like this, departments which have little experience in it will make mistakes or have different approaches," he says.

If contractors believe that they could come up with a better solution under a different set of rules, they are free to do so, he adds.

"They shouldn't be afraid to put in a non-conforming bid.

"To be on the safe side, they should also put in a conforming bid and say that if the specification can be relaxed or changed in the following ways, they could bid in this more innovative way."

And if bidders have complaints about how the programme is being implemented, they should raise them with the department concerned – "complain to the person running the programme, if necessary to the permanent secretary, if necessary to the minister," he says.

"If you don't get any answer from them, tell us and we'll see what we can do. We can only learn by what people tell us."

"Us" in this case is the six-strong Cabinet Office efficiency unit which co-ordinates the market-testing programme and advises departments on how to implement it.

"We deliberately have a small team at the centre because we don't want to run a huge centralised exercise removed from the people who actually understand the work. It's important that market-testing should be done by each department which understands the work – they must be masters of their own destiny."

Although he is based in the private sector, Sir Peter is no stranger to the ways of Whitehall. He was first brought in by Mr Michael Heseltine who, as defence secretary, appointed him as personal adviser in 1984.

In 1985, he became Chief of Defence Procurement on a special contract said to be worth £190,000 a year which drew political fire from Labour MPs and disquiet among career civil servants. However, the effectiveness of the new procurement regime he put in place was increasingly recognised by the time he completed his contract in April 1991.

As in the Defence department, Sir Peter has found that encouraging a more entrepreneurial approach has encouraged lateral thinking among civil servants – "people are now saying that if they are 'given their head,' they can show us how to do the job better," he says.

"The objective is to run the government's business in the most efficient way possible.

"Market-testing puts everything under the microscope and makes departments look very carefully at what they are doing. I think people are now beginning to understand that that is what it's about."

John Willman

RESOURCE MANAGEMENT: BUYING-IN SERVICES 3

World's largest 'outsourcing' contract for computer services

PICTURED above is the data centre of Computer Sciences Corporation (CSC) at San Diego, California, which recently won a $27m "outsourcing" contract with Sun Microsystems. CSC is one of the largest independent services companies in the computer industry and has developed many long-term outsourcing partnerships in the last twenty years to provide information technology (IT) services in the US, including NASA, New York State and the National Flood Insurance Program. The addition of the world's largest-ever outsourcing contract (£3bn over then years) at General Dynamics has taken CSC's outsourcing business to around £1bn – 40 per cent of the company's total earnings.

This year, the Services Management Division (SMD) of CSC Europe, based at Weybridge, Surrey, secured the outsourcing contract for British Home Stores (BhS). For BhS, this contract involves business re-engineering, extending IT links into the supply chain, developing inventory management and marketing new retail systems.

Research shows wide disparity over levels of savings of public money

Private sector suppliers gain ground in local government

PRIVATE sector companies appear to be gaining ground from their early footholds in local government on two fronts.

First, the compulsory competitive tendering programme, once restricted to blue-collar services such as refuse collection, is being expanded to white-collar work. Legal services must go out to tender in June next year, with construction-related services (architecture and quantity surveying), to follow in July.

Information technology must follow in December, followed by finance, personnel and corporate administration in 1995. Some councils, such as Berkshire and Westminster, have put some of these services out to tender voluntarily.

Contracting out white-collar services allows easier adaptation to the more fragmented services which councils must now provide to allow for more devolved services, such as education. In some cases, it can allow for a better job to be done than the council could do itself.

Some authorities have even voluntarily contracted out white collar services. For example, Oxfordshire has entrusted a third of its finance department, dealing with pensions and pay-roll administration, to the CSL group. The council said that with the fragmentation of its other services, this offered the best route to allowing central services to be run cost-effectively. It was also able to negotiate a contract which ensured that all its existing staff maintained their jobs – which was not always possible for councils who compulsorily put blue-collar work out to tender.

The private sector is also making progress on the second front of blue collar contracts, and appears to be winning a greater share of the market with each new round of contracts.

According to a report by the Institute of Public Finance, a research arm of the Chartered Institute of Public Finance and Accountancy, private companies have won more than two-thirds of the refuse collection contracts put out to tender by councils since January last year.

Private contractors now operate contracts worth almost £150m a year in total – 24 per cent of the market. That shift should continue, according to the IPF.

However, the pattern is uneven across sectors. Private sector bidders have enjoyed most success in building cleaning, ground maintenance and refuse collection, according to the Local Government Management Board.

The LGMB's latests survey of ground maintenance contracts, covering England, Scotland and Wales, finds that direct labour organisations have held on to 67.5 per cent by number (853 of 1263 contracts), and 82.5 per cent by value. For building cleaning, direct labour organisations had held on to only 436 of the 904 contracts surveyed by the LGMB (81.5 per cent by value).

But penetration of more complex and tightly defined contracts, such as school catering, has been minimal.

In catering (education and welfare) contracts, the public sector has held on to 97.6 per cent, by value, of the contracts to be tendered.

In these areas, with few opportunities for staff cuts, and a rigidly defined job specification, there is little or no profit to be made. According to Mr John Sutcliffe, of the LGMB, "the sectors which have attracted the most interest and labour-intensive. If you can cut your labour costs, have other people doing the job with a reasonably flexible specification, the private sector can do that quite effectively."

This suggests that white-collar CCT may not be as effective in providing attractive opportunities for contractors.

But there is still controversy between researchers on whether the exercise has succeeded in its prime aim of saving public money.

The most optimistic assessment of the CCT programme so far comes from Dr Stefan Szymanski of the London Business School, who has analysed the difference between prices paid now for refuse management contracts and the costs attributed to these services recorded by local authorities before contracting out in returns to the Chartered Institute of Public Finance and Accountancy.

According to Dr Szymanski, direct unit costs for refuse collection have fallen by an average of 27 per cent since competitive tendering started. This does not take into account the cost of monitoring the contract (which, he suggests, is around three or four per cent), and so Dr Szymanski believes the true level of saving has been between 20 and 25 per cent.

This research showed wide disparities between authorities, with 10 per cent some enduring real terms increases, while 20 per cent of authorities cut costs by more than 40 per cent.

It also found a marked economy of scale, with high cost authorities tending to be about 20 per cent smaller than the average, and low cost authorities around 5 per cent smaller.

But both the Audit Commission, which acts as a watchdog for local government, and Birmingham University's Institute of Local Government Studies, have produced much lower estimates for savings, at between 6.5 and seven per cent. Their surveys differ by including a smaller number of local authorities, but cover the full range of contracted-out services.

These estimates include the cost of managing the contracts, and compare directly between the years immediately before and immediately after contracting out. Therefore they aim to avoid the problems of accounting for cost saving via technological improvements, which may lie behind some of the savings identified by the London Business School.

Whatever savings have been achieved seem to have been maintained, judging by the first refuse management contracts to be renegotiated. Out of the first nine councils to do so, all bar one achieved real terms reductions in price compared to 1988 of at least 18.4 per cent.

'With each new tranche of contracts that passes, private contractors appear to be winning a greater share of the contracts,' says report from the Institute of Public Finance and Accountancy

This contradicted prevailing wisdom that private sector bidders had treated the first year as a "loss leader" and would extract greater profits later.

Mr Cliff Davis-Coleman, managing director of CDC Research, which published the information, said the increase could be attributed to private firms deciding to bid aggressively for volume. He also pointed out that the power to re-tender had greatly strengthened councils' hand.

In return for a long contract and an agreement not to re-tender, councils were able to extract significant cost-cuts from contractors, he said. This is underlined by Dr Szymanski's research, which shows that longer contracts tend to be for lower prices.

What is unmistakeable is the growing strength of the private sector. According to the Institute of Public Finance, the research arm of the Chartered Institute of Public Finance and Accountancy, "with each new tranche of contracts that passes, private contractors appear to be winning a greater share of the contracts."

The challenge of the next year is to repeat these gains on the subtler, less labour-intensive white-collar services which will soon be up for tender.

John Authers

New ways of working

Continued from page one:

tested, reaching deep into the heart of Whitehall.

● Throughout the public sector, the newly independent colleges, schools and hospitals are increasingly outsourcing and contracting-out to cut costs and improve effectiveness.

Some of the biggest contracts in the public sector will be in information technology, with up to £750m of work potentially available in civil service departments alone. The market for bought-in IT services is now mature, with revenues of £4bn last year earned by the 200-plus members of the Computing Services Association.

Other markets are equally substantial: contracted catering services are now worth over £800m a year, for example. The local government and health service market is estimated to be worth more than £2bn a year, while this year's civil service market-testing programme is worth £1.4bn. The value of local authority housing management contracts, due to go out to tender from 1996, is put at £1.25bn.

The growth in buying-in of services has generated new business opportunities across a wide swathe of service industries. Traditional contractors now face competition from companies established to bid for public sector contracts.

But it also requires new ways of working, for both the organisations which buy in services and the businesses which supply them. The key to outsourcing functions that are central to the success of the organisation is a close relationship between the customer and the contractor, according to Mr John Staples of EDS-Scicon, the largest services company in the world.

He says that a common mistake is to treat buying in of services in the same way as purchasing hardware – looking for the cheapest price. "It's more important to leverage in the right skills," he says.

Among customers, the benefits of buying-in services appear to be well appreciated. A survey of the UK market for facilities management by Computer Management Group found that FM had brought cost-savings and strategic advances for the majority of businesses in the survey.

Three-quarters said that FM allowed management to concentrate on core business. Cost-savings were reported by 56 per cent of the companies, with only 15 per cent reporting cost increases.

The main problem for the contractors appears to be assuaging the fears of companies which have not yet bought in services. Over 50 per cent of the non-FM users in the CMG survey, for example, worried that facilities management would lead to a loss of control over their organisations. Only 14 per cent of users said that this was a concern.

However, the number of non-users appears to be rapidly shrinking: 35 per cent of the companies in the CMG survey were using FM, up from 25 per cent the year before.

With 70 per cent forecasting an increase in facilities management in IT, the market for buying-in services looks set to both widen and deepen significantly over the next few years.

THE PRIVATE SECTOR

Strong emphasis on partnership

IN the United States, it was the public sector – notably the federal government – which got the contracting-out bandwagon rolling; the private sector's enthusiasm for "outsourcing" largely followed on.

In the UK it has been the other way around. The private sector has been outsourcing for years. Local government began doing so with most of its existing in-house services in the late 1980s, at the dictat of central government. But Whitehall has only just started taking the medicine itself.

Contracting-out trends in the private sector can be summarised under two headings: "widening" and "deepening".

The last decade has seen an intensification of the trend towards hiving off or buying-in of services not integral to a company's own line of business, widening the range of activities contracted out.

A decade ago, it was mostly functions like catering and cleaning which attracted the contractors. Now, increasingly, it extends to services previously considered "strategic", like computing and information technology; and also to those like telecommunications which were previously thought simple to manage in-house, but have become anything but that with new technology and growing competition.

With diversification has come the second trend: the desire not just to hive-off services, but to franchise the management of the contractors, and to seek to bring in companies with know-how and state-of-the-art products to improve overall performance through their services in a particular area. In stark contrast to the motivation for contracting-out in the public sector, increasingly in the private sector the drive for improvement and collaboration is a higher priority than simple cost-savings.

Helen Anderson, marketing manager for Data Sciences, a leading UK facilities management supplier to both sectors, says: "The public sector tends to be more cost-oriented, whereas for companies increasingly that is not the main thing: they are looking for a contractor that can demonstrate partnership and bring something genuinely new to the table."

It is almost impossible to find a service from the boardroom to the basement which is not contracted out somewhere. Telecommunications, a new entrant to the "outsourcing" market, exemplifies the trend.

Traditionally, most large companies had their own internal private phone networks, while smaller ones simply paid the BT bill. But the cost of replacing private network equipment is rising steadily, life-cycles are falling as the range of available services multiplies, and competition in the telecoms market is intensifying by the month. Both Mercury and BT now have managed servicing units which provide and manage private networks.

The management aspect was critical to BT securing one of its largest orders to date – a £5m contract to run and upgrade Thorn EMI's internal UK network. However, BT is not content with UK networks alone. In partnership with MCI, the second largest US carrier, it has just launched an ambitious venture – competing against a similar one unveiled a month earlier by AT&T, the US giant – to offer a one-stop telecoms global outsourcing service to the world's transnationals.

"This is the shape of telecoms to come," boasts Iain Vallance, BT's chairman. Exit the company which just makes sure the phones work.

On the "deepening" front, the market is growing for facilities management companies able to oversee a range of contracts.

MR FELIPPO SARTI, a director of Symonds, an 115-strong facilities management company which manages 600 locations across the UK, says: "The pressure is on to co-ordinate – it's no longer a case of one department hiving-off the cleaning and another the catering, companies want to integrate their outsourcing operation."

Recent Symonds contracts include a consulting service to establish Cable and Wireless's new London headquarters, a similar contract for BT's new customer systems office in Fleet, and a total management contract for the College of St Mark and St John in Plymouth. In a typical move for the market, Symonds has just been bought by Compagnie Generale des Eaux, the French company which already has a large stake in local government contracts, to give it an entry into the UK's facilities management (FM) business.

However, Mr Sarti is anxious to dispel the "misconception" that FM companies "will provide everything."

He says: "We take a management-led approach, sub-contracting services – in many cases the majority – which we have no competence to provide directly ourselves."

The other aspect of "deepening" coming to the fore is the search for a more reciprocal relationship with contractors.

"Business re-engineering is important, making sure that companies receive from us the IT which best meets their business needs," says Mr Jerry Scott, marketing manager at Computing Services Corporation, a leading independent computing consultancy which claims to have the world's largest outsourcing contract – $3bn over 10 years for General Dynamics' IT and related business in the US.

CSC's biggest UK contract of late is with British Home Stores (BhS), the retail group, part of which is to help BhS develop improved business models for their IT function.

"BhS believe that to make themselves a more competitive retailer they need an efficient supply chain management system, giving their suppliers direct sales information from BhS stores so that they can rectify deficiencies quicker, and so on. Our just is get them such a system – as well ads managing it when it is up-and-running," says Mr Scott.

A key contrast between the public and private sectors is that in the first private contractors are often bidding for contracts against an in-house team desperate to hang on; in the second, the decision to outsource is generally a corporate one, with no intention of continuing the service in-house.

"This makes the bidding process very different," says Mr Scott. "It affects the whole nature of the relationship, and explains why it tends to be less flexible with the public sector."

As local government moves to a second generation of private-sector contracts, it may lead the public sector's outsourcing towards the British Home Stores model.

Andrew Adonis

GLOBAL COMMUNICATIONS: with links to 1,000 cities and more than 50,000 customer 'access ports' in 28 countries, British Telecom's Global Network Services (GNS) are monitored (above) around the clock at San Jose, California. Similar international monitoring centres are also located in London and Paris. GNS offers companies a choice of access options, protocol support and pricing schemes for managed data network services. These facilities are being extended to more than 60 countries by mid-1995.

Facilities management: benefits in the area of information technology

FACILITIES management typically involves contracting out the running of computers and systems. Equipment and staff generally transfer to the supplier, although they might continue working at the customer's premises for a while. Here are the benefits, according to a survey by the CMG services group:

- ☐ Management freed to focus on core business ......77 per cent
- ☐ Reduced headcount ......70 per cent
- ☐ Greater financial control of operations ......48 per cent
- ☐ Reduced running costs ......47 per cent
- ☐ Staff management problems reduced ......45 per cent
- ☐ Improved service levels ......43 per cent
- ☐ Staff shortage/ no recruitment problems ......43 per cent
- ☐ Office space requirements are reduced ......41 per cent
- ☐ Information technology (IT) moved from capital item to expense item ......33 per cent
- ☐ More flexible capacity and back-up ......33 per cent
- ☐ All IT systems from one supplier ......27 per cent
- ☐ Reduced risk ......24 per cent

☐ When asked about the disadvantages of facilities management, 40 per cent of users said there were no real cost reductions. However, there were bigger votes for the benefits than for the disadvantages.

☐ Other disadvantages mentioned were difficulties in defining boundaries of responsibility (35 per cent), loss of in-house expertise (27 per cent), poor understanding by the supplier of the client's business (17 per cent), poor accountability (16 per cent) and loss of control of IT services and strategy (14 per cent).

Case study: Whitbread information systems and the FI Group

Freedom to focus on core business

AN INCREASING number of UK companies see the need to focus on their core business while "outsourcing" the supply of solutions and services in information technology to a third party.

For example, Whitbread, the food, drinks and leisure group, and the FI Group, a leading computer systems and training company, has this year formed a £12.65m strategic partnership to provide system development and maintenance for Whitbread IT systems over the next five years.

The FI Group, based at Hemel Hempstead, Hertfordshire, with offices in nine other centres in the UK, took on a hundred employees from Whitbread's central development and support facility in February. Whitbread's systems services director, Mr Fraser Winterbottom, says the contract allows the company to focus on its long-term, strategic IT requirements, "rather than utilising its people to deliver technical solutions."

The operation of Whitbread's data centres at Luton and Sheffield and communication networks are not affected and the company will keep a small team for business analysis, project management and PC developments. Mr Winterbottom believes that "the key benefits of Whitebread's partnership with FI are that it enables us to focus our management attention on how we use systems to support the business – and that, over the next five years, we'll gradually move from a fixed-cost base for IT services to more variable costs, depending on business needs."

The partnership is the largest single contract won by FI so far. FI is one of a small number of European specialist vendors that have been successful in capturing stand-alone applications maintenance contracts, according to the industry research group, Input*

FOR the financial year ending April, 1992, FI Group achieved revenues of £24.9m. Its support maintenance revenues of £10m put the company in second place to Hoskyns in the UK applications maintenance management market. The Whitbread agreement applies purely to people and applications systems software and not to the hardware operations at which remain under Whitbread's management.

At the time of the transfer, Hilary Cropper, FI's chief executive, said: "We are protecting the employees' rights and offering them long-term career opportunities with a developing systems company.

"Whitbread was looking for a partner who could achieve that – and they were aware that on a long-term basis they couldn't attract the expertise and know-how needed to develop their future IT needs."

More than half of the newly-transferred Whitbread staff purchased shares in FI in April.

FI has set up a new division called FI Partners to exploit similar business opportunities. The group also operates a range of services, such as "Mainstay" for applications support and maintenance; "Software Factory" for developing both proprietary and open systems solutions; plus IT training and recruitment of IT professionals.

Lyn Barrat, director of FI Partners, says: "The critical success factors in partnership deals are not only a sound contract, but establishing a close relationship, dealing openly and meeting expectations. This can mean open-book accounting and profit-sharing.

"It certainly needs a clear definition of the service required and the key performance indicators. It means building into the service level agreement the flexibility and responsiveness to meet changing needs. At the end of the day, it's about getting it right – both for your customers and your people."

While offering a branded application support and maintenance service, FI emphasises the importance of the management process. The group is successful in the financial services sector – it has maintenance contracts with with Midland Montagu's foreign exchange dealing systems; Britannia Life, the Scottish insurance group; and with Barclays Bank for support of its MasterCard, Gateway and Interchange system.

Overall, the FI Group believes that applications' maintenance management "should provide a cost-reduction for the same level of service or a higher level of service for the same cost."

*Input Research Bulletin, London; tel. 071.493.9335

Michael Wiltshire

INFORMATION TECHNOLOGY
A selection of leading facilities management suppliers*

Company	UK %	Europe %
Hoskyns/CGS	22	10
EDS-Scicon	12	12
Sema Group	11	4
AT&T Istel	9	3
Data Sciences	8	3
CFM	5	2
Andersen Consulting	4	-
DEC	3	2
ITnet	2	-
P&P	2	-

Figures for 1991; source: Input

A Whitbread business development manager, left, explains a profit forecast to a Whitebread lessee, using his personal computer

European rules raise complex questions, says **David Goodhart**

Uncertainties over EC directive

CONFUSION over the role of the European Community's Acquired Rights Directive in the contracting out of services has spawned a cottage industry of conferences and legal advice.

The directive is better known in Britain by the acronym Tupe, after the Transfer of Undertakings (Protection of Employment) 1981 regulations which implemented it in the UK.

The directive protects the jobs and conditions of employees when their jobs are transferred from one employer to another.

Although the directive has been part of British law since 1981, it was only at the end of last year that it became clear that the protection extended to some cases of contracting out from the public to the private sector.

Given that the profit margins of private contractors have often been dependent on cutting the employment and pay of those transferred, this realisation has cast a long shadow over the whole contracting-out process.

Nearly one year on, the confusion has not been cleared up, thanks in part to genuine legal uncertainty and in part to the British government's cryptic and defensive attitude towards Tupe.

There are two important questions about Tupe: what exactly do the regulations require and where do they apply? Both questions are difficult to answer definitively, but some facts seem clear enough.

Tupe requires that staff cannot be dismissed as the result of the transfer of an undertaking, although it may be possible to dismiss people soon after for other reasons.

The regulations also insist that terms and conditions of employment cannot be changed without consent and that union recognition must be carried over, too.

THERE is less clarity about whether pensions are covered. It had been assumed that they were not covered, but a leaked government letter recently indicated that they might be.

Industrial tribunal cases on this point are pending but they may not be sufficient to clear up the confusion. Pensions are important because they are invariably much more generous in the public sector.

Exactly where the regulations apply depends on the definition of a "transfer" and an "undertaking." Recent judgements of the European Court of Justice suggest EC judges favour a broad definition of both a transfer and an undertaking which would capture a broad range of the services which are contracted out. It is even possible to be caught when an organisation terminates its existing service and buys in a new service provided by new employees, as the High Court judgement in Kenny v South Manchester College underlined.

The government's guidance on Tupe stressed that it is most likely to apply where the new employer employs substantially the same staff to do the same work as before, using the same premises and the same equipment. But that now appears too narrow a definition and, in practice, the government has gradually accepted that Tupe covers a significant proportion of contracting-out cases.

Many trade unionists and lawyers would go further – "the transfers under compulsory competitive tendering which are or will be excluded from Tupe are likely to be the exception rather than the rule," says Mr Raymond Jeffers of Linklaters & Paines.

Important judgements due soon include that on the contracting out of Eastbourne's refuse collection.

More industrial tribunal cases are also likely to start coming through in the next few months. But the courts will not provide a single, definitive, judgement.

Tupe does not mean the end of contracting out but it does complicate matters. Some contractors have made it clear that if they are unable to substantially reduce staff and cut wages and pensions they will not be able to bid for public sector contracts. Others, especially in higher value-added fields like information technology, have fewer problems and often say they plan to improve pay and conditions.

WHAT seems to be happening in practice is that where Tupe applies in central government and the National Health Service, the government is cutting staff numbers through voluntary redundancy before contracting out, thereby reducing the liability of private contractors.

Mr Cliff Davis-Coleman, managing director of CDC Research and a lobbyist for private contractors, says that is a key advantage for contractors – "if redundancy can be solved, then the rest is manageable," he says.

In local government it is more complex. Many Labour-controlled authorities have seen Tupe as a way of fending off government regulations on CCT that they do not like. All authorities have now been warned by the government that they cannot specify whether Tupe applies or not in bidding documents. The government says it is up to contractors to decide whether Tupe applies or not.

The difficulty is that if a contractor decides that it does not apply, but a court subsequently decides that it does, it is not clear whether the contractor or the local authority must carry the cost. Local authorities fear that they will be left with large Tupe-related liabilities (still virtually impossible to insure against) that they cannot afford.

Mr Christopher Chope, the former Local Government Minister and a pioneer of contracting out in Wandsworth, believes the government's failure to "take a clear line" on Tupe has made it harder for all concerned.

"They should adapt to the reality of Tupe and make the best of it. The cost-savings may not be so dramatic but the private sector will still be able to improve performance through better management," he says.

To compensate for the lower returns the contractors should be given longer contract periods, he says. He also suggests that as Tupe protects jobs and pay there is no need for in-house bids. The government currently encourages such bids but many observers believe that as they are not covered by Tupe they have an unfair advantage over external bids that are.

Christopher Chope: he urges longer contract periods

Despite the change of government in France it seems highly unlikely that the government will succeed in getting a Tupe "opt-out" for contracting out at the EC level. And to make matters worse, it may also face retrospective claims from the tens of thousands of people who have lost their jobs or suffered a deterioration in pay and conditions as a result of contracting-out over the past decade.

However, such claims are unlikely to succeed, as even some union officials admit, and the government will certainly tough it out.

PICTURED above are customers at a financial centre of the Bristol & West Building Society using "touch-screen" technology to view house mortgage and property services.

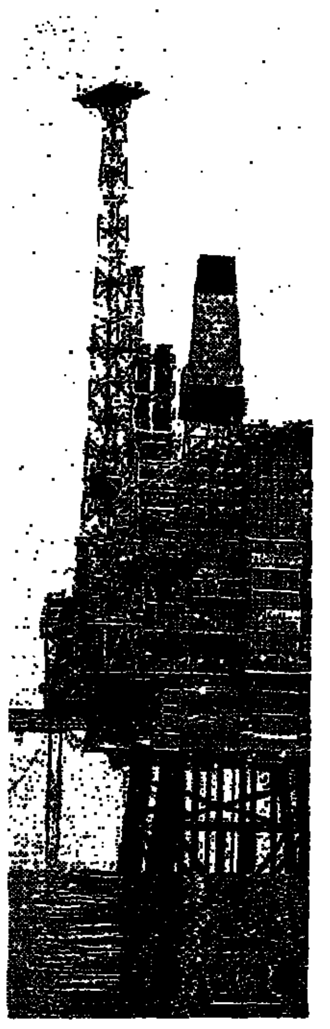
New service contract

Bristol & West, which has a network of 180 building society branches, plus the Hamptons Estates Agency, Bristol & West Property Services, and a growing number of high street financial centres, now has a "fixed-time" service contract with Unisys, the computer and information solutions company, for the maintenance of its communications network.

In the event of a computer breakdown, the society can directly access the Unisys engineering network, which logs calls to field engineers. The contract specifies that Unisys would pay a penalty to Bristol & West if it fails to meet specified service levels – a feature that few other service companies were prepared to offer when tenders were submitted last year.

High priority calls are guaranteed "a fix in six hours," says Unisys. Service performance is reviewed at monthly meetings between Bristol & West and Unisys.

Michael Wiltshire



NORTH SEA PROJECT: pictured above is the control room on board a British Petroleum production platform. EDS-Scicon, the information technology services company, and Data Marine Systems have signed a five-year contract with BP Exploration (BPX) to provide support services for BPX's SCADA systems and offshore communications. The support team will be based in Aberdeen. EDS-Scicon is a subsidiary of EDS, which has operations in 30 countries, employing more than 70,000 people. EDS had revenues of $8.2bn last year. Data Marine Systems provides manpower, telecommunications equipment and services to the offshore oil industry.

BUSINESS AND THE ENVIRONMENT

Threat to rural England

Development of rural land in England cannot continue at the current pace and the government should conduct a far-reaching review of planning and farming policies to try to protect the countryside, according to the Council for the Protection of Rural England.

Tony Burton, senior planner at the CPRE, will launch the organisation's new study on the changes in regional land use between 1945 and 1990* today with a call for the government to revise its planning policies so that less rural land is used for development.

The scale of development and land changes across England is "unsustainable", Burton argues. "If we carry on using land at this rate we will have lost a resource the general public value as their countryside and we should be cherishing for the future."

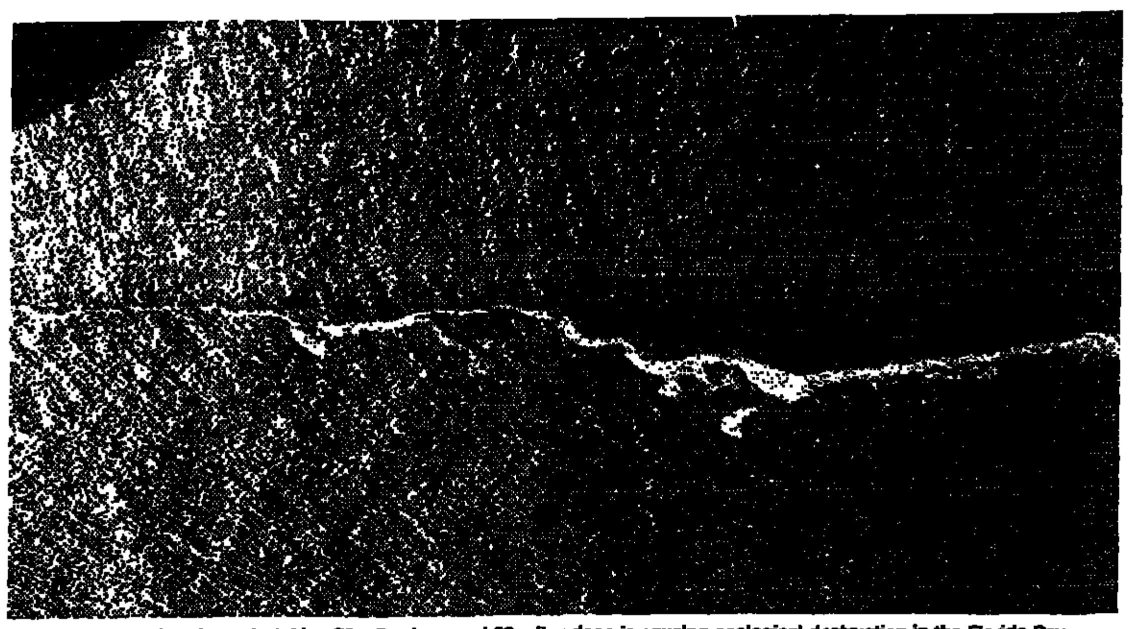
In England, as a whole, the urban area has grown by more than 700,000 hectares since 1945. In addition, almost 30 per cent of rough grazing has been lost. The south-east has lost the most countryside to the urban jungle. Since 1960 the number of people supported by each hectare of urban land has declined by a fifth from 31 to 25 people.

The CPRE is critical of road proposals that encourage this sort of urban sprawl. Burton said it was concerned about the government's decision to widen the M25 orbital motorway around London. "These sort of proposals encourage de-centralisation and the M25 decision can only exacerbate that trend."

A comprehensive review of local, regional and national planning policies to protect the countryside and make more efficient use of land in urban areas should be conducted, the CPRE says. Green belts should be protected, particularly where they are under threat from local authorities. The CPRE wants farmland to be better protected for its environmental as well as its agricultural value.

Deborah Hargreaves

**The Lost Land – Regional Data, technical report £30 or leaflets £2.50 each from the Council for the Protection of Rural England, Warwick House, 25 Buckingham Palace Road, London SW1W OPP. Tel. 071 976 6433.*



In bloom: salt-water algae stretching 70 miles long and 30 miles deep is causing ecological destruction in the Florida Bay

Keys to an ecological crisis

Quick action is needed to halt the destruction of large areas of the Florida Bay, writes **Victoria Griffith**

James Humble, a farmer near Miami, Florida, is feeling put upon these days. In common with other farmers in the area, Humble is still recovering from the devastation of Hurricane Andrew last year. Now, to make matters worse, the tomato grower is facing tentative plans by the US government to buy out his land at what he says are sure to be unfair prices.

"They say we're killing the fish in the Florida Bay," says Humble. "Maybe someone made the wrong decision to let us be here in the first place, but now it's too late. This is our land, and they shouldn't have the right to kick us out."

Michael Collins, a boat owner who charters sport fishing trips around the Florida Keys, a long strip of islands stretching south of Miami almost to Cuba, also has a crisis on his hands. He says that he is battling a salt-water algae bloom, 70 miles long and 30 miles deep, caused by the mismanagement of water resources upstream.

The ecological destruction of large areas of the Florida Bay, located at the southern tip of the state, has triggered a bitter dispute between farmers and fishermen in the area.

As farmers near Miami siphon canal water for flood control and irrigation, the flow of fresh water into the Florida Bay near the Keys is stemmed, upsetting the delicate balance of salt and fresh water in the area and killing marine life.

Recently, scientists say, the environmental damage quickened as a handful of farmers around the Frog Pond, which provides water to the Taylor Slough riverway, a key source of water flow for the Everglades, began to siphon water for added flood control of their fields.

"This is an ecosystem on the verge of collapse," says Collins. "I've seen millions of dead fish here. In the Keys, every industry we have, from tourism to fishing, depends on clean water. Without it, none of us will have jobs."

The water that eventually reaches the Florida Bay starts around Orlando, and flows south through agricultural lands and the swamps of the Everglades National Park before reaching its final destination. Over the past few years, the shrinking volume of fresh water reaching the bay has caused significant amounts of sea grass to die, creating an algae bloom which in turn has caused fish to die in catastrophic numbers.

"We have known about this problem for at least 20 years, and I feel the crisis might have been prevented if action had been taken earlier," says Glenn Kinser, a scientist with the National Fish & Wildlife Foundation in Washington, DC.

Both the federal and state governments say they are doing their best to address the problem. A joint task force has been formed to study options, which include the forced purchase of farmers' lands in the area. But farmers around the Frog Pond are angry because any government buy-out would probably treat the land as flood-prone, rather than flood-controlled, an assessment which would substantially lower its market value. Negotiations are moving slowly.

"With so many factors to consider, this is not a terribly fast process," says John Ogden, a wildlife biologist with the Everglades National Park. "It's not only a problem with the farmers but with the situation of the canals. We'll have to tear out some old ones and put in new ones, and that will cost hundreds of millions of dollars."

The longer it takes to address the situation, say fishermen, the slimmer the chances that the area will recover soon enough to prevent economic devastation in the region. According to the fishing industry, shrimp catches have already fallen by 90 per cent over the last few years, and crab and lobster hauls are down substantially.

Even more frightening to environmentalists, hot saline water has been detected beyond the Florida Keys in the ecologically sensitive coral reefs, one of the largest in the world. "The coral reef ecosystem is extremely sensitive and is already threatened by scuba divers and other problems," says Thomas Bancroft, a scientist with the National Audubon Society. "We must keep that system protected."

The problem, say scientists studying the area, began shortly after the second world war, when state and federal agencies began to install drainage canals in southern Florida. Today, there are 1,400 miles of drainage canals, diverting 970bn gallons of water a year. The canals made way for large-scale development, allowing suburban sprawl to spread further south from Miami and pushing farmers closer to the environmentally sensitive Everglades.

"This area is suffering from 40 years of water deprivation," says Joseph Zieman, a professor of environmental science at the University of Virginia and a specialist in the Florida Bay problem.

To make matters worse, the Everglades are also under threat from pesticide pollution created by sugar farmers even further upstream. Sugar-growers and state and government officials have tentatively agreed to a plan to reduce fertiliser runoff. However, details of the proposal are still being worked out.

The crisis in the Florida Bay is particularly shocking to many because it took place in an area that was thought to be protected as parkland.

"Many people assumed that by setting up national parks and protecting everything within their boundaries, our wilderness areas were safe," says Ogden.

"But in a park like the Everglades – or almost any national park in the US for that matter – water flows and air flows coming from outside the park impact us directly. We need to reassess park management and go outside our boundaries to resolve environmental problems. This means more involvement with regional planning, for instance."

No one knows how long it will take to reverse the environmental devastation in the Florida Bay. Even if the source of the problems is eliminated immediately, many ecologists feel it will be many years before any visible recovery sets in. For those inhabitants of the Keys, who depend on fishing and tourism to make a living, that will be too late.

NatWest Bank is striving for greater environmental awareness, reports **David Lascelles**

Putting money on efficiency

National Westminster Bank is making a strong pitch to become the UK's greenest clearer.

The bank has just published the results of a two-year environmental audit which it claims is the first of its kind by any bank.

The report is not the stuff that will set environmentalist pulses racing.

Banks do not spew filth into the atmosphere or pollute rivers, nor do they chop down forests or hunt whales. Their impact on the environment is far more subtle. Think only of the amount of paper that a bank employing 100,000 people uses each year, or of the size of its vehicle fleet.

The bulk of the 25-page report is therefore about how NatWest can cut its appetite for resources by using less paper, or switching to cars with smaller engines.

It also looks at the 4,250 buildings which the bank owns around the world to see how they could be made more energy efficient.

Much of this will strike people as obvious, if not rather trivial. The report even says that employees should use the photocopier less and switch off the lights.

One of the main achievements highlighted is the installation of small waste paper compactors in 1,850 branches which will save the group £640,000 a year.

However, Lord Alexander, the bank's chairman, and Derek Wanless, NatWest's group chief executive, make clear in a statement of environmental policy that there is more to NatWest's approach than age-old exhortations to staff to economise.

The aim is to create a stronger environmental awareness within the group and apply this not just to the bank's own operations, but also to its suppliers and its customers.

They say: "We recognise that environmental risks should be part of the normal checklist of risk assessment and management. As part of our credit risk assessment, where appropriate, environmental impact assessments may be requested.

"We will encourage our suppliers to pursue best practice. Our procurement policy will take account of this."

Hilary Thompson, manager of NatWest's environmental unit, says this does not mean that suppliers and customers will immediately be struck off the list if they do not meet NatWest's green standards.

"But we hope they move in that direction," she says.

"We want to encourage customers to report on what they're doing. It makes risk assessment easier."

But she also expects that NatWest itself will become more efficient as a result of the audit. The identified savings amount to several million pounds a year. "Just looking at things afresh can help," she says.

The audit is not the end of the exercise. NatWest intends to publish annual environmental reports, and to incorporate environmental factors into its planning.

But Thompson admits that this cannot be done by diktat from headquarters. Staff must have the incentive to become greener, and she thinks that this will come through the benefits that greater efficiency will bring to their departmental budgets.

Some sample environmental targets include:

- Introduce a supplier environmental appraisal system during 1993.
- Increase the proportion of diesel-engined bank cars to 34 per cent by the end of 1993.
- Achieve a 5 per cent reduction in photocopying in 1993 as against 1992.
- Educate staff to expect information to be screen-based rather than paper-based.
- Search for new ways to increase the utilisation of soyabean/water-based inks.
- Conduct a comprehensive analysis of the potential for further use of alternative energy sources, for example solar power.

PEOPLE

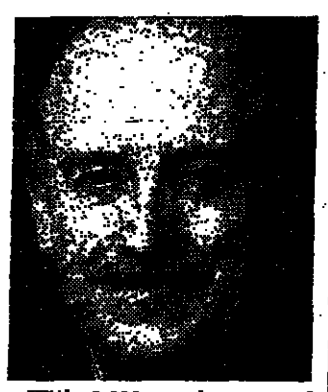
Alcatel entices BT's man in Europe

The UK ambitions of Alcatel NV, the French telecommunications equipment supplier, reached a new peak yesterday, with the announcement that it has merged two of its UK subsidiaries and appointed a BT executive to run them.

John Baker, BT's sales manager for leading business customers in Europe, has been appointed managing director of Alcatel Network Systems UK, an amalgamation of Alcatel's existing UK network systems division and Telettra UK, the UK microwave and line transmission division of the Italian group Telettra Spa acquired by Alcatel in 1991.

Coming a week after Alcatel offered £600m for STC Submarine Systems, the UK-based undersea telecommunications cable arm of Northern Telecom, the Canadian supplier, the move underlines Alcatel's determination to make inroads into the UK market.

Unlike virtually all his French counterparts, Baker climbed up through the ranks. He joined the Post Office (as it then was) straight from school as a trainee apprentice in 1964, gaining early qualifications through night school, then as a mature student gained a degree in telecommunications from Essex University.



With 1,000 employees and annual sales of more than £100m, Alcatel has a significant UK presence even before the STC acquisition.

"The world's number one player should be in the world's number one market," Baker says, neatly complimenting his masters old and new.

Electronic switches

Tadpole Technology, the high technology group which gained a full listing last December and promptly saw its shares shoot up from 65p to 300p, has appointed **Geoffrey Burr** to head its US subsidiary.

Tadpole, a specialist in printed circuit board design and manufacture, says Burr would bring skills at exploiting "fast time-to-market opportunities" to its growing US business. Burr has spent 20 years in the IT industry, the last seven with Digital Equipment Corporation.

Tadpole's deputy chief executive Jeremy Woan is leaving the post but remains on the board as a non-executive director because of demands on his time from "other companies".

■ Cable and Wireless, the UK telecommunications group, has set up a new North American company to manage its US business, and appointed the head of one of the constituent companies as its chief executive.

Alan Peyser, 59, head of Cable and Wireless Communications, which serves small and medium-sized businesses in the US, is to become chief executive of Cable and Wireless Inc. The new company will comprise C&W Communications and C&W Americas, which serves multinational companies based in the US.

■ **Paul Cohen** has left the board of Arlen after barely a year as chief executive following protracted internal arguments over strategy within the Slough-based electrical accessories group.

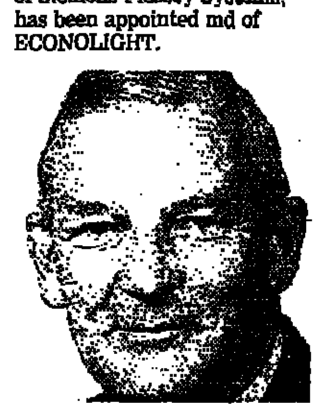
Cohen opposed his board's moves to bring in Fortress Trust, a private investment company, as a 30 per cent stake-holder. With Cohen's departure, the Fortress Trust deal is set to go ahead, and may be announced as soon as today.

Arlen's shares were trading at 14p when the Fortress Trust talks were first revealed. They are now up at 33p.

■ **Sir James McKinnon**, director general of Ofgas and deputy chairman of MAI and Scotia Pharmaceuticals, has been appointed a non-executive director at ADMIRAL.

■ **Tom Urwin**, currently corporate vice-president, manufacturing, at Analog Devices in Boston, has been appointed managing director of GEC PLESSEY SEMICONDUCTORS.

■ **John Farnhill** (below), previously commercial director of Siemens Plessey Systems, has been appointed md of ECONOLIGHT.



Hi-Tec md

Ashley Reynolds, 52-year-old group services director of Hi-Tec Sports, has been promoted to managing director of the sports shoe and leisurewear company's UK subsidiary. Reynolds' appointment follows the decision to close Hi-Tec's recently expanded continental European sales network and focus on the UK and US. Reynolds has been with Hi-Tec since its 1974 foundation in Essex by Dutchman Frank van Wezel.

■ **Tim Pendry** has been appointed chief executive of the London office of Ogilvy Adams & Rinehart, part of WPP.

Campbell Lutyens loses Hudson

Just days after Joseph Perella left New York investment bank Wasserstein Perella, David Hudson, a partner in a much smaller British enterprise Campbell Lutyens Hudson has jumped ship. Hudson, 48, is joining a former Kleinwort Benson colleague John MacArthur at the latter's firm MacArthur & Co.

Campbell Lutyens Hudson says that the parting is amicable, but that Hudson had developed a strong interest in the expert witness field, an area, however, in which the partnership felt it did not want to be involved. Expert witnesses are often called upon to testify against other merchant banks, for example in takeovers that are perceived by one or other party to have gone wrong.

Hudson himself says that CLH has grown rather large for his tastes, that he prefers work of "a more intellectual nature", and that he did not want to become "the corporate animal" that would have been necessary had he stayed. However, he still retains his "substantial" shareholding, and his name stays on the CLH letterhead for the foreseeable future.

MacArthur and Hudson were together at KB in the late 1960s; one of the other two board members, Nigel Christie, is also an old KB hand. Hudson later moved to Samuel Montagu, as deputy head of corporate finance and head of international banking. He moved to James Capel as head of corporate finance and then on to Henry Ansbacher as chief executive, before joining CLH.

LEGAL NOTICES

NO. 005763 OF 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
AVONSIDE GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 14th July 1993 confirming the cancellation of the share premium account of the above-named Company as at 23rd April 1993 was registered by the Registrar of Companies on 19th July 1993.

Dated 28th July 1993
Morrison Skirrow,
63 Queen Victoria Street
London EC4N 4ST
Ref: KMD/BPF/AV4δ6068
Tel: 071-329-3399
Solicitors for the above named Company

REPAS LIMITED (FORMERLY MEDIA EXPENDITURE ANALYSIS LIMITED)
(In Administration)

Notice of Proposed Voluntary Arrangement

The Joint Administrators of Repas Limited (Formerly Media Expenditure Analysis Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:

The Joint Administrators of
Repas Limited
(Formerly Media Expenditure Analysis Limited)
P.O. Box 55
1 Surrey Street
London
WC2R 2NT
Company No. 885111

Television / **Christopher Dunkley**

Of course, we never watch it ...

Every few years we are treated to a dramatic report which purports to show that television viewing is on the decrease. The most recent comes from the Henley Centre For Forecasting, but the source never seems to make much difference. The story, as interpreted by newspapers anyway, is always the same: interest has peaked and television is on the skids. The funny thing is that each successive report begins its scare story of tumbling figures from a larger audience base, higher viewing hours and a bigger total advertising income. What on earth is going on?

Several things, perhaps. First, like is not necessarily being compared with like, because television keeps changing. The short history of the medium has been a story of improvement in home reception and changed technology in delivery systems. When the standard scare story of shrinking viewing figures hit the US a few years ago it turned out that while the ratings share of the big three networks had indeed slipped, the reason was not that people were watching less television but that a larger share was being taken by cable and video. Viewers were spending as long or longer than ever in front of their sets.

Second, newspapers are, naturally enough, keen to play up any hint that the advance of the new, and worryingly competitive, mass medium has been halted. After all, total newspaper sales really have been slipping ever since the arrival of television. Third, though probably most important in Britain, is The Au Pair Syndrome. This is the habit of the middle class intelligentsia of pretending not to watch television at all. In the 1950s and 1960s the claim was "We only have a set to help the au pair with her English". Today the claim varies – we only have it for the news, only for watching opera cassettes, only to help the Filipinos with their English – but the snobbery is unchanged.

On the whole people in socio-economic groups A and B do watch less than those in groups C, D and E. This scarcely seems surprising: doctors and businessmen often have jobs which keep them out late, and compared with nurses or centre lathe turners they are better able to afford seats at the opera or dinner in a restaurant. The fact remains that though they may watch less, they still watch a lot – and experience suggests that they are ashamed of this. When, like so

Neil Kinnock: devastating honesty

many, they switch on to watch the *Six O'Clock News* and then stay for *Top Of The Pops* they blame television for its triviality rather than themselves for lack of will power or discrimination.

The result is that every time a report such as Henley's appears it is announced with headlines that ring with glee. This one claims, moreover, that the "decline" is largely among the middle classes. The implication is that television is turning into a yob medium, watched only by the socially inadequate; just what the au pair employing classes always said. But is it not also similar to what this column has been saying for the past two or three years? Have there not been numerous warnings here that the new Thatcherite broadcasting legislation would lead to more tabloid television, more intense ratings contests and a consequent lowering of standards? But there is, surely, a huge difference between trying to hold the line against an expected decline and condemning the medium out of hand.

On the rare occasions when somebody stands up for television they are invariably challenged: go on then, name something worth watching, especially at this time of the year. Yet the fact is that even in the murkiest depths of a repeat-laden summer there is (so far, anyway; the full effects of that Thatcherite legislation are yet to be seen) still more of quality to watch on British television than any normal person could find time for, particularly anyone using a video recorder.

In drama BBC2 has just finished screening one of the greatest works of television ever created, and probably one of the most important pieces of fiction of the second half of the 20th century: *A Second Heimat* (extensively reviewed in this column on April 14 and last Wednesday). It lasted 26 hours and was enthralling and almost embarrassingly involving. Watching it all took dedication, but the rewards were tremendous. ITV has shown the first three episodes in *Frank Stubbs Promotes* which is no *Heimat*, but is more enjoyable, funnier, and a better reflector of its period than 75 per cent of today's novels. So far it has trodden a little too determinedly in the footsteps of *Minder* but Timothy Spall is giving a delightful performance in the central role of an over-ambitious ticket tout.

In documentaries ITV is showing *Kinnock: The Inside Story*, a four-part account of the political life of the former Labour leader. The first two episodes have been extraordinarily powerful examples of the type of modern history which causes increasing jealousy and petulance among the sort of academic book historians who would have us believe they only ever catch a glimpse of the television in the JCR. From Orgreave Coke Depot to the night of the 1985 election, these programmes have brought history vividly to life.

More valuable still has been Kinnock's voice-over description of his thoughts or reactions to the crises seen before us, from the leadership contest to the Militant showdown. But what makes the series truly compelling is Kinnock's devastating honesty about his own mistakes and failures. BBC2 meanwhile is showing a documentary series made with American co-producers about the development of the oil industry, *The Prize*, which, as well as being highly informative, is often more exciting and entertaining than *Dallas* (reviewed here on July 3).

Parliament's – or perhaps John Major's – handling of the Maastricht affair may be judged by posterity as shameful and inept, but television's current affairs departments delivered the crucial moments into our homes last week in a manner that was gripping enough to keep some of us out of bed until 3.00am. Jeremy Paxman handled the real-time coverage of bedlam in the House of Commons with all the professionalism you would expect (though the rule about a single static camera angle from behind the bar of the House as the tellers go through must surely be changed) but it was Vincent Hanna who took the honours. No doubt his late night job on Channel 4, of marshalling instant comment, was easier than that of Paxman who had to fly the *Newsnight* studio by the seat of his pants. Nevertheless Hanna triumphed not only because of his political knowledge and insight but because he brought a steady flow of wit to the proceedings. Invaluable.

Timothy Spall as Frank and Trevor Cooper as Archie in "Frank Stubbs Promotes"

Last week also brought one of those programmes which can shift your entire perception of the world. I remember clearly, not long after joining the FT 20 years ago, watching a programme about the technical and social implications of a new invention called the microchip. At the time its revelations seemed truly staggering though today, of course, they would be mundane. David Lomax's report in last Thursday's *Business Matters* on BBC2 about the development of Guangdong province in southern China had a similarly mind-blowing effect. Most of us had already heard, no doubt, about economic strides in China but the detail in this report – there are now 17,000 part-time Avon reps in Guangdong; so far most factories may be primitive, but the staff work 10 hours a day, six days a week, perhaps for 12; they are buying Panasonic televisions and fashionable clothes; drug trafficking, bribery and traffic jams are rocketing – suddenly made you realise where countries like the UK and even the US may stand in, say, 2003.

Last month we had Wimbledon from the BBC, this month the Tour de France from Channel 4. On Sunday BBC2 began a season of *Summer Dance* with Ballanchine's "Serenade" and "Western Symphony". Of course more would be even better, and of course some evenings at present seem like deserts unless you plan ahead and create oases with your video recorder. But, so far, the familiar claim that there is nothing on the box for the more demanding or intelligent viewer is still hooey. And although there may one day be a collapse in television viewing, personal experience suggests it has not happened yet. Average viewing per head of the population in the third week of June this year, according to BARB, was 22 hours 39 minutes. Last year it was 22 hours 38 minutes. Ten years ago the figure was 16 hours 54 minutes. Some slide.

Theatre / **Alastair Macaulay**

Behind the gilded curtain

There is something irresistible about backstage plays. Being taken behind the scenes is like being shown how a clock works. And to give attention to the unhymned components of theatre – the dresser, the chorus line – is to cast judicious light on lives of the obscure. Though Richard Crane's *Under the Stars* is no great example of this genre, it is satisfying simply because it is all about understudies.

Stella and Regina are covering two Great (and Old) Actresses of the London stage during a West End run. Out there, on the stage we never see, the two stars, "Trixie" and "the Dame," are playing Helen and Clytemnestra, long after the Trojan War, in a preposterous trough of verse drama called *Helen in Argos*. Down here, at the other end of the tannoy system, Stella and Regina listen and wait. Stella is all method, motivation, and neurosis; and she never knows all her lines. Regina, who has understudied the Dame for 25 years, is an old pro who can duplicate everything the Dame does; but, since she never goes on, she concentrates on knitting and shopping at Sainsbury.

For so plotless a set-up, Crane has worked too hard to provide a plot. (Trixie gets ill and faints onstage, only to recover and carry on, before Stella has a chance to finish identifying with Helen and to get onstage in her stead. The director, assuming Trixie will be hospitalised, brings in a Known Actress to cover the role of Helen.) And each character is too much of a theatrical cartoon. Stella's feckless clinging to method, Regina's dogged insistence on routine – these are too coarsely exaggerated. The director is merely a smug creep, the Known Actress merely the standard ambitious bitch.

The Dame and Trixie, whose voices we hear over the tannoy, are equally ludicrous, but there is fun to be had in listening to the (recorded) voices of Patricia Routledge and June Whitfield intoning the ghastly verse of *Helen in Argos*. Routledge (as the Dame playing Clytemnestra) belts out her lines in a beefy basso profundo – con molto vibrato; Whitfield (as Trixie as Helen) quavers hers out in a tremolo so massive that it sounds like a trill spanning a minor third – or like yodelling.

Connie Booth and Pam Ferris play Stella and Regina effectively, in diametrically opposed styles. Booth is fey, Ferris fierce; Booth all self-obsessed sensitivity, Ferris all practical sense. But, under Matthew Francis's direction, this backstage world hangs fire. Both (especially Ferris) occasionally follow the playwright into the temptation of hamming up straight material; the pacing (especially Booth's) is sometimes insufficiently natural and too pat. There is greater drama in this situation than Crane knew how to discover; and there is more truth in these roles than Booth and Ferris have yet disclosed.

At the Greenwich Theatre, until August 28.

Alastair Muir

Pam Ferris and (below) Connie Booth

A pretty little Prom

After the television broadcast of the opening night of this year's Proms there were complaints from viewers. Not about the music, or the standard of performance. They were upset that the singers that night were not very attractive in close-up, which seems to confirm a trend in how the public regards classical musicians.

It is no longer enough to play or sing well. For popular esteem, of the kind that suits the mass media, the performer has to look good too. As though the BBC had anticipated the audience's reaction, it chose its second Prom for television relay cannily. The Finnish soprano Karita Mattila, statuesque, elegantly attired, is unlikely to have prompted anything but letters of appreciation from those who look first and listen later.

In the hall we could appreciate the glamour of her voice as well. She sang four not very substantial Grieg songs, a nod in recognition of the composer's 150th anniversary. All were well-known pieces, such as the Solveig solos from *Peer Gynt*, sung with rather more winning simplicity by Barbara Bonney in her Grieg recitals with piano. Mattila's strength was the warmth and substance of her voice, which projected strongly over the orchestral accompaniments.

The conductor, Alexander Lazarev, seemed keen to let her be heard. Unfortunately, that was the only cause for rejoicing on the orchestral side. The concert had opened with a dismal performance of Stravinsky's *Petrushka* – no brilliance in the colours, no snap to the rhythms. Perhaps dancers at the Bolshoy (Lazarev's artistic home) prefer the music at this speed, whereas orchestras in the West are used to spinning through it on tiptoe, as it were.

The BBC Symphony Orchestra stumbled on many ragged corners. (The student orchestra that I heard at the Schleswig-Holstein Festival a couple of weeks ago played the music with more purpose.) A little more energy informed Tchaikovsky's Suite No 3, but not so much as to be positively exciting. It is disappointing that the improvements at the BBCSO achieved under Andrew Davis do not necessarily carry through when there is somebody else on the podium.

Richard Fairman

Ballet / **Clement Crisp**

Charming, but charm is not enough

There is an odd moment of adjustment when you return from a holiday. Instead of mountains or monuments, there – from train or aircraft – you see the neat, quilted English countryside, carefully laid out, domesticated. Of course it is "home" – but rather enclosed, and somehow tame. I felt this on Monday night while watching *The Sleeping Beauty* with which the Birmingham Royal Ballet opened its Covent Garden season. Last week, at the Coliseum, the Kirov had shown us their *Beauty*. Tired and cursory as some of its components looked, it was still a grand and spacious work of art, its manner resonant with the importance of classical dancing. Its cast had an assurance born of the knowledge that their theatre had seen *Beauty*'s first performance, and this gave dignity and clarity to their dancing.

The BRB staging has many virtues. As an exposition of the text it is, in fact, superior to the Kirov's version: the prologue and first act, albeit numbers are reduced, maintain a shape lacking in the Kirov's touring production, and the Hunting scene is charmingly done. In everything, Sir Peter Wright (and how good it is to acknowledge his recent knighthood) has made intelligent choices in editing the ballet for his company's touring needs. The greatest merit, though, lies in Philip Prowse's designs which still, after a decade, strike one by their beauty, and by their wit and thrilling sense of history. Not, I believe, since Leon Bakst's 1921 designs for Diaghilev's *Beauty* staging, has costuming so brilliantly evoked a period through the most acute sense of historical shape. Drapery, pleating, skill in cutting, provide theatrically vivid yet accurate silhouettes. Fantasy becomes history: figures once painted by Nattier or Rigaud come dazzlingly alive on Prowse's own terms. Colours – gold, black, porphyry, *rose Dubarry* – all contribute to the feeling of splendour. It is a superlative example of the designer's art.

The problems of acclimatisation arrive with the dancing. The BRB artists work well as an ensemble, and dramatic nuance is deftly pointed – how acute is Desmond Kelly's view of the king. But dance-style is vivacious where the Kirov's is serene, and cosy where it might instead show us the broad horizons of classic manner. There is something breathlessly determined about the soloists: their dancing is ingratiating rather than commanding, as if trying to win us on everything but dance terms. And charm is not enough.

The honourable and golden exception was Miyako Yoshida as Aurora. Here was a radiant, absolutely assured interpretation. Yoshida's dancing is ravishing because precise, delicate, pure. Nothing is fudged or fussed; everything looks elegant, with artistry dedicated to the service of the choreography. The reading is gentle, beguiling, a portrayal that must stand among the very best the Royal Ballet has shown us. Yoshida's prince was Kevin O'Hare, giving a gentlemanly account of the role, but careering through his solos as if fleeing in disarray from an insurrection.

The score, from Philip Ellis and the Royal Ballet Sinfonia, sounded somewhat boxy and harried: we needed more of the Mariinsky orchestra's grandeur. The performance running time seemed a race against the clock. And I protest against the eliding of the first and second acts of the ballet. An interval after Aurora's birthday celebration is essential to enable the public to sense the passing of a hundred years. A single, helter-skelter passage of dancing, lasting nearly 70 minutes, is like having indigestion on the Cresta Run.

***Birmingham Royal Ballet* is at Covent Garden, with varied programmes, until August 7.**

INTERNATIONAL ARTS GUIDE

■ AVIGNON

The final week of this year's festival includes performances of Steve Berkoff's Kvetch directed by Jorge Lavelli, Sophocles' Oedipus at Colonus staged by Ensemble Kotéba from Abidjan and Tom Stoppard's Rosenkrantz and Guilderstein are Dead, performed in Russian by an Israeli company (9086 2443)

■ BAYREUTH

Interest this year focuses on a string of debuts. East German dramatist Heiner Müller tackles his first-ever opera production, Tristan und Isolde, designed by another Bayreuth debutant, Erich Wonder. After a decade as Bayreuth's reigning Kundry, Waltraud Meier attempts the soprano heights of Isolde, while Siegfried Jerusalem tackles his first Tristan. Daniel Barenboim conducts. In Parsifal, conducted by James Levine, the new Kundry is Deborah Polaski, while Poul Elming and Linda Finnie join the cast in Werner Herzog's production of Lohengrin. Donald Runnicles returns to conduct Wolfgang Wagner's production of Tannhäuser, with a cast led by Wolfgang Schmidt, Tina Kiberg, Eike Wilm Schulte and Manfred Schenk. Giuseppe Sinopoli conducts Dieter Dorn's 1990 production of Der fliegende Holländer, with Bernd Weikl as the Dutchman and Sabine Hass as Senta. Ends Aug 28 (0921-20221)

■ BERLIN

This year's festival (Aug 31-Sep 30) is a meeting point between Europe and Japan, with performances by Tokyo Ballet, New Symphony Orchestra of Tokyo, traditional Kabuki and Noh theatre companies and other Japanese ensembles. There are concerts conducted by Abbado, Ashkenazy, Barenboim, Maazel, Norrington, Sanderling and Tennstedt, plus Beethoven piano recitals by Brendel and Pollini, and a visit from the Paris-based Peter Brook Company with L'homme qui, the British director's latest theatre piece (Berliner Festspiele Kartenbüro, Budapester Strasse 50, D-1000 Berlin. Tel 030-254890 Fax 030-254 8911)

■ CASTELL DE PERALADA

The gardens of this Catalan castle north of Barcelona are the beautiful setting for an annual festival of opera, dance and concerts. The next event is Ballet Victor Ullate on Fri and Sat. Next month's programme includes a staging of L'elisir d'amore, a recital by Anne Sophie Mutter and concerts conducted by Jordi Savall, Neville Marriner and Yuri Temirkanov. Ends Aug 23 (072-538125)

■ BRUGES

Over the next two weeks, Bruges is holding its annual early music festival, including a performance of Carissimi's oratorio Jepthé by the Consort of Musicke conducted by Anthony Rooley, Spanish medieval music played by Hesperion XX with Jordi Savall and a song recital by Emma Kirkby (050-448686)

■ HELSINKI

The festival, celebrating its 25th anniversary, opens on Aug 24 with a Helsinki Philharmonic Orchestra concert conducted by Alexander Sander, featuring Karan Armstrong as soloist in Schoenberg's Erwartung. Esa-Pekka Salonen brings the Swedish Radio Symphony Orchestra for two concerts, and other concerts are conducted by Marek Janowski, Leif Segerstam and Hans Drewanz. Recitalists include Julian Bream, Jessye Norman and Cecilia Bartoli. There are also performances by Ingun Björnsgaard Dance Company, Susanne Linke Dance Company and the Avangil ensemble, featuring classical and modern Islamic music from Turkey. Ends Sep 12 (664466)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Avignon and Marseilles, are the peaceful setting for a piano festival which has been gathering international renown since it was founded eight years ago. In this year's opening concert on Sat, Brigitte Engerer is soloist with the Novosibirsk Philharmonic Orchestra from Siberia. There are 33 concerts in all, with programmes celebrating anniversaries of Grieg, Tchaikovsky and Rachmaninov, a cycle of Schubert sonatas on modern concert grand and fortepiano, a Debussy series using period instruments and introductions to Medtner and Corigliano. The line-up of artists includes Christian Zacharias, Nikolai Demidenko, Maria Joao Pires and Stephen Hough. Ends Aug 22 (4250 5115)

■ MONTPELLIER

Radio France's annual festival continues to promote off-the-beaten-track operas in concert format. This year's line-up includes Puccini's Le Villi on Sat and Reyer's grand, unjustly neglected Sigurd on Aug 6, with a fine cast headed by Chris Merritt. Other highlights include the Gustav Mahler Youth Orchestra with Abbado and Hvorostovsky, and a piano recital by Friedrich Gulda. Ends Aug 11 (6702 0201)

■ RUHR

The fifth Ruhr Piano Festival features 40 internationally renowned musicians playing in nine German cities, including Bochum, Gelsenkirchen, Duisburg, Hamm and Herten. There is no programme theme, but several concerts include an introductory talk by German author and critic Joachim Kaiser. Pianists featured over the final two weeks include Melvyn Tan, Mikhail Rudy, Elisabeth Leonskaja, André Watts and Shura Cherkassky. Theo Adam gives a song recital tonight in Hamm (Rhein Ruhr Ticket 0201-268081)

■ ORANGE

The final open air performance at Théâtre Antique is Otello on Aug 7, staged by Andrei Serban, with a cast led by Vladimir Atlantov, Alain Fondary and Nina Rautio (9034 2424)

■ SAN SEBASTIAN

Highlights of this year's festival (Aug 16-Sep 2) include Pier Luigi Pizzi's Monte Carlo production of La traviata, the St Petersburg Philharmonic Orchestra, Spanish National Orchestra with its chief conductor Aldo Ceccato, a series of organ recitals devoted to the works of Messiaen and church concerts featuring the Hilliard Ensemble and others (Quincena Musical, Teatro Victoria Eugenia, Reina Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

■ SANTANDER

The festival opens on Sat with a concert by the Philharmonia Orchestra. Other visitors include Anne Sophie Mutter, the Scala Orchestra with Muti, and a bevy of Russian artists - the St Petersburg Philharmonic and Bolshoy Opera Orchestras, the St Petersburg State Ballet and the Kirov Opera, which gives performances of Don Carlo and Prince Igor. Ends Aug 31 (Festival Internacional de Santander, C/ Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany, in venues with a more local atmosphere than most international festivals. There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki and several less familiar compatriots. The line-up also includes James Galway, Anne Sophie Mutter, Shura Cherkassky, Jessye Norman, Igor Oistrakh, Gustav Mahler Youth Orchestra and the Academy of St Martin in the Fields. Ends Aug 22 (0431-567080)

■ TORROELLA DE MONTGRI

The festival is based in a town on the Costa Brava near Spain's border with France. This year's line-up includes Giacomo Aragall (Aug 4), Bohuslav Martinu Philharmonic Orchestra (Aug 12), Franz Liszt Chamber Orchestra (Aug 15 and 17), the Solomon Trio (Aug 20) and Berlin Philharmonic Virtuosi (Aug 21). Ends Aug 22 (0972-761098)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

A close nuclear family

West must extend security or expect proliferation

"I suppose," wrote the Queen to Harold Macmillan on his retirement in October 1963, "that the success which may give you the greatest satisfaction is the recent signature of the Nuclear Test Ban Treaty for which you and your colleagues have worked so long and so patiently and which has given new hope to people all over the world." Next week sees the 30th anniversary of that treaty, which put an end to tests in the atmosphere by the three leading nuclear powers – the US, UK and Soviet Union.

Macmillan had indeed "passionately fought" for a test ban, as the late Lord Zuckerman, then chief scientific adviser at the UK defence ministry, testified in an article published shortly before his death – in Nature on February 4. But the ultimate bargain was struck between the two superpowers and fell well short of what Macmillan had wanted – "the discontinuance of all test explosions of nuclear weapons for all time". Those words were left in the preamble of the treaty, expressing a long-term objective. That is why it is called the "partial" test ban treaty (PTBT), as opposed to the holy grail of a "comprehensive" one (CTBT), for which the quest continues.

It continues more hopefully of late, particularly since last October when Congress forced then-President George Bush to sign an act imposing a moratorium on US nuclear tests until mid-1993 and ending them completely by September 1996. On July 3 his successor, Bill Clinton, extended the moratorium until September 1994 "as long as no other nation tests", and called on "the other nuclear powers to do the same". Russia, and more surprisingly France, promised to do so and declared their support for a CTBT, "on condition [in France's case] that it is universal and verifiable".

Britain has no choice in the matter, since it uses US testing facilities and has none of its own. But sadly (or at least it would have saddened Macmillan) British representatives were prominent among those lobbying in Washington *for* continued testing in the run-up to the July 3 announcement.

Mr Clinton's decision, soon to be complemented by the appointment of an ambassador to revive the CTBT negotiations, is part of his strategy for containing nuclear proliferation. In 1990 the review conference on the 1968 Nuclear Proliferation Treaty (NPT) broke up without agreement because the non-nuclear states, led by Mexico, insisted on a CTBT as the yardstick for nuclear states' sincerity in pursuing disarmament. At the next conference, in 1995, the stakes will be higher because it has to decide whether to extend the treaty indefinitely or for a fixed period.

Also, with the break-up of

Little short of Nato membership would sway Ukraine from nuclear weapons

the Soviet Union, proliferation has become an even more complex and worrying issue. The western powers have tried to deal with it by recognising only Russia as a successor to the Soviet Union's nuclear power status. Both the strategic arms reduction treaties (Start I and Start II) are based on that assumption.

Other ex-Soviet republics were not involved in those negotiations, but last year the three that have strategic weapons on their territory – Belarus, Kazakhstan and Ukraine – were bullied or cajoled into signing an agreement (the Lisbon protocol) which provides for those weapons to be dismantled or transferred to Russian territory and for the republics concerned to join the NPT as non-nuclear states.

Belarus is implementing that agreement, but Ukraine has been dragging its feet and seems less and less inclined to do so, while Kazakhstan is biding its time. Kazakhstan has the main ex-Soviet nuclear test sites, but both they and the weapons themselves are mainly controlled and administered by ethnic Russians. This is not the case with Ukraine, which increasingly sees itself as under threat from Russia. Only this month, for instance, the Russian parliament laid claim to Sebastopol, a Black Sea port in Ukraine.

Not surprisingly, Ukrainian leaders – especially, perhaps, prime minister Leonid Kuchma, whose previous career was spent manufacturing nuclear missiles – believe they can obtain operational control of the strategic weapons on their territory without too much difficulty. They are increasingly tempted to regard them as the ultimate deterrent against Russian aggression.

British and French leaders, who for years have proclaimed the vital importance for their national security of an independent nuclear deterrent, though living at the opposite end of Europe from Russia and enjoying the security of Nato, are hardly well placed to dissuade Ukraine from adopting a similar doctrine.

In the latest issue of Foreign Affairs, the house magazine of the US foreign policy establishment, the Chicago political scientist John J Mearsheimer – well-known exponent of the cold-blooded "realist" view of international relations – argues that a Ukrainian nuclear deterrent would be good for both Ukrainian and broader European security. The opposite case – that a nuclear Ukraine would be bankrupt, isolated and vulnerable to a pre-emptive strike – is put by Steven E Miller of Harvard. To my mind it is the more persuasive, but I am not the one that needs persuading.

Ukrainians will not be impressed by fine words from western powers which have failed to come to the aid of Bosnia. Probably little short of an offer of full Nato membership would sway Ukraine now. That suggestion would be instantly rejected in all western capitals as destabilising and provocative. But it is time we decided which is more destabilising and, long term, more dangerous: to extend the western collective security system eastwards, or to wait for proliferation to spread eastern insecurity westwards.

Will British Gas be dismantled or remain a privatised monopoly, asks **Deborah Hargreaves**

Time to make up or break up

Mr Cedric Brown, the burly chief executive of British Gas, has come a long way since he was a gas engineer in Yorkshire. He heads one of Britain's largest companies at a crucial time, and he is about to face the biggest test of his career. This week Mr Brown will discover whether his gamble of submitting British Gas to an inquiry by the Monopolies and Mergers Commission has paid off, or whether it will result in the break-up of the company.

Mr Brown made the unprecedented request a year ago when he assumed the post of chief executive. It was a measure of his frustration over the constant bickering and lack of agreement about pricing and supply between the company and its regulator, Ofgas.

But the blunt Yorkshireman's high-risk strategy of opening up British Gas to a full-scale investigation could backfire. If the commission recommends breaking the company up into smaller concerns – as Ofgas has suggested – Mr Brown could lose the fiefdom over which he presides. The question is: will parts of British Gas be sold off so that the household supply market can be opened up to competition?

The inquiry has put Mr Brown in the awkward position of defending British Gas's monopoly over household supply in front of an inquiry panel of free-market academics and legal experts. He has submitted a pile of evidence 5ft high to the commission, which has spoken to about 550 interested parties.

At the same time, British Gas has mounted a charm offensive on government ministers who will decide whether to enshrine the commission's verdict in law. If British Gas were to retain its monopoly, some ministers believe, it would only be because Mr Brown's arguments had won the day. But with electricity supply partially to be opened to competitors next year and fully in 1998, and with British Gas's monopoly already in the government's sights before the commission was called in, Mr Brown is rowing against the tide.

British Gas claims it has recently been won over by the case for competition. Mr Brown says he is not averse to the idea of a freer market for households, but emphasises the need to tread carefully to ensure that neither customers nor shareholders lose out.

However, he has warned the commission that an end to

British Gas competitors' strategy for opening up household market

- **This week**
  Monopolies and Mergers Commission decides on new market/industry structure, agreement in principle on how new market will work
- **1993**
  Preparation phase, framework implementation timetable, definition of agreed contractual framework legislation and licences; regulatory regime.
- **1994**
  Preparation phase, development contracts, charging structures, accounting systems, control systems
- **1995**
  Managed competition (5-year period) new public gas suppliers start trading, fall in British Gas household market share
- **2000**
  Full competition review of storage company regulation, review of charges/regulation for small consumers.

Source: Coopers & Lybrand

Cedric Brown, chief executive of British Gas

British Gas's monopoly could throw up several important problems. The three main issues are safety, security of supply, and price. Safety is at risk, argue Mr Brown and his gas engineers, if any company can feed into and take out from the pipeline network as much gas as it likes. If too much gas is taken out of the system at any one moment, air could be sucked in, causing an explosion.

Less dramatic, but just as important for many customers, is the guaranteed supply provided by British Gas, Mr Brown says. If competition takes off and rival suppliers run out of gas on cold days in winter, customers signed up to those suppliers could see gas for their boilers switched off with little warning.

Stretching this point further, Mr Brown believes that, in an open market, there could be customers that no company wants to supply – those with large debts or in remote regions, for example. At the moment, British Gas must supply anyone who wants gas, but that obligation could end, along with the monopoly.

Mr Brown's final, and perhaps most powerful, point is that prices for the pensioner with one gas burner could double if market forces were introduced. A third of his 18m household customers currently subsidise the other two-thirds who use less gas.

His arguments are rejected by competitors already wresting market share from British Gas in the industrial sector. In a study sponsored by a group of rival companies, accountants Coopers & Lybrand put forward a plan for opening up the domestic market without disruption.

Coopers & Lybrand suggested that competition could be introduced into household supply gradually from 1995 over a five-year period. The plan suggests testing all competitors on their suitability to supply household customers – ensuring they have adequate financial resources and gas supplies. All companies would be obliged to supply any customer approaching them, guaranteeing a certain minimum standard of service.

A financial bond lodged with the regulator, or access to emergency gas supplies, could help ensure that no company cuts off any home gas supply because it has run out of gas.

One of the companies sponsoring the Coopers plan, Alliance Gas, has provided further assurances, suggesting it can fulfil the functions currently performed by British Gas and still cut prices to all users by an average of £50 a year, or 10 per cent of bills. In any case, the price cap keeping British Gas's household price increases to a minimum will need to be in place until competition has been established.

With competitors effectively able to answer two of British Gas's objections, the safety issue remains the real drawback to a liberalised market. But many of British Gas's safety fears could be removed by having a central pipeline company responsible for balancing supply and demand. This company could have access to a source of gas in order to regulate gas flows and for use in emergencies.

The pipeline company would have to be separate from the rest of British Gas's business. Otherwise, some gas companies and the regulator believe, the development of competition could be hampered. A separation of pipelines from trading – either by accounting separation or a total sell-off – would ensure that British Gas's own marketing operations are not given more favourable access to the transport system than its competitors.

This is another area on which the commission must pronounce. It is reviewing not only a sell-off of pipelines, but a wholesale break-up of the company into smaller regional units as has been suggested by Ofgas.

Mr Brown contends that fully dismantling the company would cost £3bn over 10 years. It is estimated that a move to split off the pipelines would cost about £300m over the same period. This is because some costs would be duplicated if the company were split up.

The high potential costs of break-up could sway the government to opt for the status quo. British Gas has already agreed with the Office of Fair Trading to separate accounting procedures between pipelines and its trading operations by this September.

An important indicator of the future profitability of the pipeline network will be the rate of return set by the commission. Mr Brown believes that 4.5 per cent – the present rate – is too low. Ofgas reckons it is too high. This disagreement was one reason why Mr Brown requested the commission review.

Mr Brown hoped to gain a more stable environment for the business over the next couple of years. He says constant arguing with Ofgas and a changing regulatory agenda were making it difficult to plan. To avoid further disputes, the commission's solution must help to soothe relations between the company and its regulator, and therefore must also be acceptable to Ofgas. Some of the abrasiveness may be removed anyway with the retirement of Sir James McKinnon, director-general of Ofgas and scourge of British Gas, in October.

Ofgas and Mr Brown are not the only parties awaiting the commission's decision. The rest of the energy sector is also eager to know the verdict, because it will indicate how far the government wants to encourage competition elsewhere in the privatised utilities.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Railways are too efficient to be dismissed

From Mr Graham Nalty.

Sir, I welcome the suggestion in your editorial, "Motorway fatigue" (July 23) that the price mechanism should be used to regulate the demand for road space rather than building more and more roads.

However, I do not agree with your dismissal of rail transport as a solution. The busiest parts of the M25 motorway are the sections close to Heathrow Airport, which is very badly served by public transport. Yet Heathrow Airport has all the characteristics that make rail transport highly efficient. It is a point of departure for millions of long distance flights every year and a very large, highly concentrated area of employment. A solution based on improved rail access to Heathrow Airport will be far more effective in reducing M25 congestion than you suggest.

The price mechanism will influence demand, but it can only persuade people to use public transport if the quality of service is good enough. Improvement in rail services from all regions in the UK directly to Heathrow Airport must be a high priority so that people departing from or meeting flights at Heathrow can make the trip by rail as conveniently as by car. In addition, a rail equivalent of the M25 linking St Albans, Watford, Slough, Heathrow Airport, Staines etc in a full circle is needed to provide the high quality public transport alternative for journeys created by the building of the M25.

But as Britain not only has the cheapest petrol in Europe, but also some of the most expensive rail fares, your editorial makes very good sense.

Graham Nalty,
6 Mill Close,
Borrowash, Derby DE72 3GU

Poor reward for service

From Mr Keith Ellis.

Sir, Between 1987 and 1992 the workload of the Insolvency Service increased fourfold. During the same period the number of civil servants employed in Official Receivers' offices increased marginally.

Insolvency Service workers who coped with the increased number of insolvencies and maintained the high standards for which they are respected and renowned have now received their reward for five years' hard work.

The "independent review" announced recently by Neil Hamilton MP aims to turn the clock back 100 years and privatise large parts of the Insolvency Service. The last review in 1982, under the chairmanship of Sir Kenneth Cork, concluded that individual insolvencies should be administered by impartial civil servants, ie the Official Receiver. The current review, however, will consider changes in legislation to ensure that ministers get what they want, the privatisation of the Insolvency Service.

With spare capacity in the private sector growing as the number of insolvencies fall, staff in the Insolvency Service will be faced with redundancy.

The IPMS Insolvency Service Branch will be fighting privatisation because it is not in the interests of creditors, individual insolvents, insolvency practitioners, or those in the Insolvency Service who, during the last five years, have shown what public service means.

Keith Ellis,
vice-chairman,
IPMS Insolvency Service Branch,
c/o Official Receiver's Office,
Hull

Sad reflection on engineering in UK

From Mr Ian Gibson.

Sir, I, and I am sure many other industrialists, greatly regret the recent changes at the weekly magazine The Engineer, which throughout its long history has energetically informed those in industry to the benefit of all.

The Engineer's virtual demise flies in the face of the burgeoning interest in manufacturing at every level of government.

In Germany, where national pride in engineering excellence has proved unshakeable, such a development would be unthinkable. It is hard not to conclude that it reflects the value we in the UK place on engineering and the myriad products it develops and produces.

Industry needs publications with real authority and, with respect, this load cannot be carried by the Financial Times alone. Through its investigative journalism The Engineer helped to raise the awareness of industry and place a focus on the dynamism of engineering.

The Engineer has provided engineers with a stream of information for the last 137 years. It would take a bizarre sense of timing to conclude that now is an appropriate time to turn off the tap.

Ian Gibson,
managing director,
Nissan Motor Manufacturing (UK),
Washington Road,
Sunderland,
Tyne & Wear SR5 3NS

Privatisation can improve forest management

From Mr Terry Arthur.

Sir, James Buxton's article on forest privatisation ("When money grows on trees", July 20) concludes that privatisation may be no more successful than the Forestry Commission at "balancing commercial needs with environmental and leisure interests".

Although it is wrong to imply that environmental and leisure interests cannot be commercial, there are certainly conflicting interests to balance. However, both reason and experience suggest strongly that privatisation would indeed be more successful.

Briefly, public sector management is a zero sum game in which opposing political "constituents" and lobbyists are appeased or otherwise. Private sector management replaces conflict by co-operation and cost sharing. The largest private landowner in the US, the International Paper Company, not only practices commercial lumbering but also runs profitable wild life and recreation programmes in many states, leasing more than 1m acres in the southern states for such purposes.

Terry Arthur,
23 St Mary's Street,
Stamford, Lincs PE9 2DG

Amendment put 'cap' on benefit in kind for cars

From Mr Brian Drummond.

Sir, I refer to the Weekend FT article "The luxury that has become a necessity" (July 24/25).

The writer of the article suggests that "there is no 'cap' on the system" of assessing the benefit in kind of a car provided to an employee on the basis of the list price. He goes on to quote the example of "an actual cash payment of more than £58,000" on the provision of a Jaguar XJ220 costing £415,000 where the driver covers less than 2,500 business miles a year.

While this was the original proposal announced in the 1993 budget, an amendment was made to the Finance Bill by the sixth sitting of the Finance (No 2) Bill Standing Committee whereby the maximum list price of a car for the purposes of calculating the benefit in kind would be £80,000.

The financial secretary to the Treasury, Steven Dorrell, stated that there was justification to "depart from the principles of fiscal purity" – the argument being that the original budget proposal would be detrimental to the British car industry and in particular manufacturers such as Rolls Royce.

The Finance Bill is due to receive Royal Assent on July 27 and it is likely that the £80,000 limit will become law.

The effect is that the potential tax bill of more than £58,000 referred to in the article will be reduced by almost £47,000 to just over £11,000.

Brian Drummond,
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FINANCIAL TIMES

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South Africa's constitution

IT WOULD be tragic if the very process designed to bring peace and democracy to South Africa exacerbated rather than healed tension. Yet it is increasingly apparent that the constitutional talks at Johannesburg's World Trade Centre are fudging some of the most important issues in a way that could undermine their achievements to date. If the African National Congress and President F W de Klerk's National party are intent on an outcome that serves their *de facto* alliance but fails to address the legitimate concerns of other parties – notably those of Chief Mangosuthu Buthelezi's Inkatha Freedom party – the constitution that emerges will be seriously flawed.

Things have not reached such a pass yet. The pace has been tortuous, but South Africa has come a long way since Mr Nelson Mandela's release more than three years ago. The draft outline published this week shows how far: racial discrimination is banned, human rights entrenched, and all citizens will be entitled to vote for a 400-member National Assembly, with a Senate elected by regional legislatures, which together will draw up a final post-apartheid constitution on principles previously agreed.

Fundamental issues have yet to be properly addressed: how the executive of a new government is constituted, how it exercises its powers and precisely what powers the provincial assemblies will have. The outline constitution leaves South Africans little the wiser. The executive will comprise representatives of political parties "occupying a specified percentage of the seats in the national assembly". But how will this executive take decisions – by consensus, as Mr de Klerk demands, or by majority, as Mr Mandela insists?

Regional powers

An equally serious flaw is the failure of the draft to define the powers of regional governments – the key concern of Chief Buthelezi, who has a strong regional base among the Zulus of Natal province. The draft fudges the issue of regional powers: the buck is passed to a commission to be set up only after the first elections. It will have regional representatives – but the final say will rest with the cabinet and the constituent assembly, which are likely to be dominated by the ANC and National party.

The experts who drew up the draft argue that the constituent assembly will be bound by constitutional principles agreed already, calling for significant devolution of power to regions. And they list an impressive array of areas where regions will have at least some power – health, education, housing, local taxation, local policing. But they refuse to say how these powers will be shared with the centre, while the constitutional principles are vague and open to interpretation. Moreover, asking Inkatha to rely on them misses the point. Inkatha is being asked to give up powers it now exercises as a "self-governing" black homeland in exchange for an uncertain status in future. It is hard to see Chief Buthelezi waiting until after an election to find out what Natal's powers will be in the new South Africa.

Belligerent rhetoric

Until this issue is resolved, one can scarcely be sanguine about the prospects for elections next April. The trouble is, by boycotting the talks with his customary belligerent rhetoric, Mr Buthelezi is merely making it more likely that he will be dissatisfied with the outcome – and creating the risk of a further descent into violence in the coming months. He needs to understand that no resolution can come about until he returns to the negotiating table.

Equally, the ANC and the National party need to look beyond short-term party objectives and consider the type of political structure that a regionally diverse as well as multiracial South Africa really needs. For all the statist, centralising instincts of the two main parties, it is not a country that can be ruled from the centre alone; its regional inequalities are too great and the regional rivalries too powerful. An attempt to impose a constitution that does not allow for sufficient regional autonomy will merely prompt demands for secession – both from Mr Buthelezi's followers or from the white right. If South Africa is to have a hope of a period of stability before elections, these issues need to be settled.

Casting light on Whitehall

THE LAUNCH yesterday of an inquiry into the role of the UK civil service by a House of Commons select committee is timely. Since 1979, the Conservative government has been engaged in what one minister recently called "a long march" through the institutions of British public life. The civil service has been one of those institutions, and an appraisal is needed on the progress of the reforms it has undergone.

Whatever the faults of Whitehall, the civil service model created by the Northcote-Trevelyan reforms of 1854 has proved durable. It is built on values of impartiality, objectivity, selection and promotion on merit, and accountability through ministers to parliament. Envied throughout the world, these principles have been frequently imitated, though not always successfully.

Since the second world war, however, there has been increasing dissatisfaction among politicians over the effectiveness of the civil service. At its peak, it employed more than 750,000 civil servants, reaching deeply into many areas of British life. A civil service designed to advise ministers and administer an empire found itself running a welfare state and managing the commanding heights of the economy.

The election of a radical Conservative government in 1979 offered an opportunity for reform that Mrs Thatcher seized. Many civil service functions have been privatised, others abolished. Departments have been required to run themselves in more business-like ways. Almost 60 per cent of civil servants now work in over 80 executive agencies specialising in services such as the payment of benefits and vehicle licensing. Many must compete for their jobs against contractors in the government's market-testing programme.

Efficiency benefits

These reforms have produced benefits in both efficiency and effectiveness. They have also led to allegations of loss of accountability to parliament, and of damage to civil service values such as promotion on merit. Evidence to justify these charges is in short supply, but the select committee is right to investigate them.

However, the committee should also investigate the charge that the civil service has not done as much as it could to reap the benefits of these reforms. Despite losing more than half their staff to agencies, many Whitehall departments have been slow to reorganise around their new core functions. A 1991 report by a government efficiency adviser which recommended 25 per cent cuts in headquarters staff appears to be gathering dust.

The committee should also ask why there has been no reduction in the number of white-collar civil servants over the last ten years. In the private sector, similar service businesses have achieved substantial productivity gains.

Privatised utilities

Newly privatised utilities have been able to cut staff by 30 per cent or more when exposed to market pressures. Finding out why numbers of civil servants are again rising, especially in the agencies, should be a priority.

So, too, should be the new concerns crowding in over the role of policy-makers in Whitehall. Responsibility for policy failures such as sterling's exit from the Exchange Rate Mechanism and the mishandling of the pit closure programme cannot be solely attributed to politicians. There are fears that civil servants have become politicised by 14 years of single-party rule. And the events surrounding the sale of arms to Iraq, currently under investigation by Lord Justice Scott, give concern over ethical standards.

A code of ethics is needed to protect both the public and civil servants who may be pressed to behave unethically. More radical reforms may be needed, however, to create greater accountability among civil servants for policy decisions. One solution, proposed by the European Policy Forum, is to introduce fixed-term contracts for top civil servants who would be paid according to their performance on publicly-declared objectives.

The select committee could usefully examine the benefits from such an approach, which appears to work well in New Zealand. However, the committee should also ask searching questions about whether such reforms would also bring undesirable consequences such as the further politicisation of the civil service.

Some roubles more equal than others

John Lloyd examines the implications of a controversial currency decision on economic reforms in Russia

It had been going so well.

Though the Russians are masters of illusion, much economic news over the past two weeks has been good, with a basis in reality. The inflation rate came down from the near hyper-levels of early this year to about 17 per cent a month. The central bank raised its interest rate 10 days ago to 170 per cent – which, because of the Russian system of charging interest on a monthly basis, makes the yearly rate close to the annual inflation rate of about 750 per cent. As important, said one western banker in Moscow, was the breakthrough in the bank's intellectual stance: its actions were an acknowledgement that money has a cost, and the cost should be borne by the borrower.

Other measures were starting to take effect: the coal price had been liberalised (though its effects have been delayed); a government budget had been prepared with a Rbs11-12 trillion deficit which – assuming foreign assistance of not less than $3bn this year – was consistent with a deficit target of 5 per cent of gross national product by the end of the year, the level agreed with the International Monetary Fund; sharp falls in production were levelling off and in a few sectors a modest rise had even appeared; the rouble had appreciated against the dollar, hauling itself back over the 1,000 to 1 level.

But the economy remains at a delicate turning point and the shoots of reform are still fragile. As Mr Boris Fyodorov, the deputy prime minister for finance, said recently, high inflation discouraged investment, and was still capable of soaring upwards. Privatisation has driven ahead, but few companies have been restructured and there has been little change in management behaviour. Russian exports are now almost wholly based on industries such as oil, diamonds, gold, gas, coal – and the greatest of these, oil, is rapidly declining as oil wells fall out of production and there is a shortage of investment capital to get them working again.

The criminalisation of Russian business takes on huge and dangerous proportions. There have been three highly publicised shoot-outs between gang members in central Moscow in the past month. Businesses at the very least avoid tax, while state companies are stripped of their assets by their managers, who often "own" parts of them following privatisation. Most of the money is shipped abroad to foreign bank accounts at a rate estimated this week by Mr Oleg Lobov, first deputy prime minister for economics, to be running at $10bn-$12bn a year.

Foreign investment is, considering the size of the country, negligible – in spite of there being 15 to 20 different committees, associations and companies created to "assist" foreign investment. Energy prices are still minuscule, and it is proving increasingly difficult to raise them. A sustained effort on the part of the government, led by President Boris Yeltsin, to persuade the European Community to drop quotas aimed at Russian commodities flooding into member countries, has had no effect: the EC still considers Russia to be a "state trading nation".

Politically, the reformists within the government are few and under siege – their one (and considerable) support is the president himself. Last week, the Russian parliament passed a series of measures aimed at bringing the radical State Privatisation Committee under ministerial control: taking licences away from foreign banks; and fixing the budget deficit at Rbs22 trillion, or 25 per cent of GNP. Though the government has relied increasingly on presidential decrees to push through legislation and on a weakening of parliamentary influence to continue the momentum for reform, the political gridlock remained unsolved.

Thus the announcement on Saturday that the central bank had decreed all pre-1993 roubles as worthless from Monday and that citizens had two weeks in which to exchange a maximum of Rbs35,000 ($35) for new notes, came in a highly charged political context – in which some confidence was starting to return both to Russian citizens and foreigners working here, but only just.

The main issue is whether the move signals a return of what have been termed – by (the unconsulted) Mr Fyodorov – as "Stalinist, socialist" methods. Or is it an aberrant decision, damaging but not fatal?

As details began to emerge of how the decision was taken, it seems that it may have been cleared at the top before it was announced. Mr Victor Gerashchenko, the central bank chairman, told the daily *Izvestiya* in a typically ambiguous interview that "the highest responsible officials of the country were informed about the issue". He told the newspaper that the parliamentary administration had been told, and drew its attention to the fact that Mr Ruslan Khasbulatov, the parliamentary speaker, had not directly said he did not know in advance. (Mr Khasbulatov's original comment, reported by the official Tass news agency on Sunday, was a mild request that citizens should not suffer unduly from the move: only on Monday did he emerge in full-throated opposition, blaming the government and its "crazy monetarist policy" for it.)

Mr Gerashchenko also obliquely drew the president into the sphere of those who knew, noting that Mr Yeltsin's "softening" of the original bank decree, by extending the limit of money changed to Rbs100,000 and the time period to the end of August, did not include a hint that "in principle he did not approve of these measures". Mr Anatoly Chubais, the privatisation minister, was reported to have been the only senior figure who – in the inner cabinet meeting of last Friday night during which ministers were informed of the decision – voiced criticism of it.

In the republics, the decree appears to be having its intended effect. Some five apart from Russia – Armenia, Belarus, Kazakhstan, Tajikistan and Uzbekistan – have said, with a good or ill grace, that they will continue to use the rouble and will, sooner or later, exchange the old notes for new. Four – Azerbaijan, Georgia, Moldova and Turkmenistan – are to hasten their introduction of a new currency. An unambiguously Russian currency has been created, but the "good" in this may be hugely outweighed by the bad.

It is likely that old notes will flood back into Russia, to be exchanged at a present rate of 2:1 with the new, thus at least temporarily stoking inflation. Second, the republics which are staying within the rouble zone have agreed no new "rules of the game" with the Russian government and the central bank. No mechanism of control of the currency has been created, no new financial practices set in place. Without these, life can be expected to go on much as before.

The trust of the population in their money and in authorities which would safeguard its value has been gravely damaged, if not lost. The pensioners struggling to change bundles of greasy Soviet roubles in the crush of the grimy Savings Banks, the holidaymakers stranded in the Black Sea with worthless old roubles, the harassed women in the queues at state shops having their money refused and unable to get change for their purchases because the shop has no new notes – all have been reminded that those at the top remain careless of citizens' rights and convenience.

In the ranks of the foreign governments which had jointly presented Russia with a package of support costed at some $44bn earlier this year, the fear is now that the government is hopelessly split and cannot deliver a stabilisation of the currency which some foreign experts and officials believed was possible this year.

Mr Fyodorov, who inherited Mr Yegor Gaidar's mantle as the main burden-carrier of economic reform, has been publicly humiliated by being so casually bypassed in a crucial financial development. He returns from Washington today, having blasted the decision in terms so unambiguous that it seems all but impossible he could be reconciled to the president's compromise. As of yesterday evening, he had given no sign of his intentions. However, he is thought to be in fighting mood and determined to return to Moscow to attempt to reverse the decision.

At the very least, the affair demonstrates that the Russian power structure is thin, disorganised and lacking in the reflexes of a truly civil governance: and that the pull to reform is fraught with the danger of reaction. A struggle within the government, subterranean for the past month, is now openly joined and on its outcome depends the fate of the economy.

From market demons to policy saints

Currency speculators have rescued EC politicians from their errors, writes **John Plender**

As European politicians and bureaucrats ponder how to rescue what is left of the exchange rate mechanism, the battle to "save" the French franc gives rise to a subversive thought. It is that events in the currency markets since last September have turned the longstanding political demonology of financial markets on its head.

The conventional wisdom since the 1930s, particularly in left-of-centre thinking, has been that untamed markets impose deflationary pressure on governments and destabilise policies that enjoy the support of electorates. In the 1980s, even right-of-centre politicians have been increasingly concerned about the capacity of currency markets to overshoot, thereby increasing trade friction. Yet consider what the currency speculators have actually brought about since last September.

Away from the core of the ERM, a number of countries, including the UK and Italy, have been saved from needless deflation and even higher unemployment as a result of being forced to abandon the link with the D-Mark. If the Bundesbank decides this week to put the franc on the rack by choosing not to reduce D-Mark interest rates sharply, further speculation could spare the French from both severe deflation and a test of the political structure that might return France to the difficulties of the 1950s and 1960s.

Meantime, market pressure has achieved something that the politicians could never have pulled off directly. Huge profits on currency speculation have helped restore bank capital at the taxpayers' expense. Being kind to the banks after the excesses of the 1980s sounds so shocking to the average citizen that this could not have been done by open democratic means. Even in pro-business Japan, public opinion blocked a public sector rescue of ailing banks. But in a debt-induced recession, the restoration of bank capital is a precondition of economic recovery. However unwittingly, the speculators have perpetrated a most constructive act.

It is hard to escape the conclusion that the markets have been saving the electorates of Europe from policy, not the other way round; and in most cases, including those of Britain and France, the electorates were not invited to consider any alternative to the key policy mistake on offer. Nor will the markets give up, for whatever the Bundesbank does this week, the speculators have rightly perceived that a rigid link between the franc and the D-Mark is simply unsustainable as long as the strains of German unification persist, which they will do until at least the mid-1990s.

Huge profits on currency speculation have helped restore bank capital at the taxpayers' expense

This makes a nonsense of the old right-left debate on markets. It seems clear that the lifting of exchange controls, originally imposed in the 1930s, has resulted in newly empowered speculators pushing governments into an earlier recognition of the inconsistencies of their policy stance than would otherwise have been the case.

Yet the air is thick with suggestions from left-of-centre economic commentators, and some right-of-centre ones too, for putting glue back into the ERM mechanism. Whatever the political case, the economic case is not being argued from fundamentals – which is probably because, as Keynes remarked, practical men are all slaves of some defunct economist.

The defunct economist in this case is, of course, Keynes himself. He provided much of the demonology with his critique of short-termism in the General Theory. This led him to conclude that the state should intervene to take direct responsibility for investment. But he would not have had to reiterate the point today. Indeed, the fiscal legacy of that policy mind-set is set to provide the markets with their next big disciplinary opportunity.

Loose fiscal policy is now generating a mountain of debt in the public sectors of the developed world. By the second half of the 1990s it will be very tempting for governments to monetise that debt – that is, to default via inflation. Capital will rush for the exit in anticipation; and the old left-right rhetorical divide may enjoy new life as politicians claim that the markets are sabotaging their efforts. But we may also discover the limits of unfettered financial power.

There has to be one creditworthy country in the global system to provide capital with its bolt hole. Today it is Japan. But if Japan succumbs to fiscal laxity – say in an attempt to defuse trade tensions with the US – there will be no inflation-free haven for investors. The market vigilantes' goose will be cooked.

OBSERVER

Pull the udder one

■ Small farmers of Germany's Saxony and Thuringia can be forgiven for complaining that they have been milked during their first brief taste of capitalism.

Two years ago, a sizeable dairy based near Dresden called Sachsenmilch became the first east German company to attain a listing on the Frankfurt Stock Exchange. Glowing proudly, Deutsche Bank, Germany's biggest, and an old hand in the east, closed the offer two days early because of the flood of demand led by local farmers.

It seemed nothing could go wrong. The cows were plentiful, east Germans loved the milk, and Stuttgart's Südmilch, Germany's leading dairy group, was the majority shareholder. Deutsche had lined up over DM260m (£100m) for a new dairy and up-to-date machinery.

Then things started to turn sour. The bankers insist they poured over the accounts pre- and post-listing, finding at that stage no trace of the existence of what turned out to be a second contract, as a result of which Sachsenmilch's former manager, Wolfgang Weber, overran his budget, possibly by as much as 40 per cent.

The bank bleats that officials simply withheld information. But some Saxons are now saying Weber's hectic social life should at least have prompted closer scrutiny of how the dairy itself was run. With Weber now pursuing other interests in Paraguay, it is small wonder Deutsche is frantically trying to save the dairy and keep its reputation in eastern Germany afloat.

Best little . . .

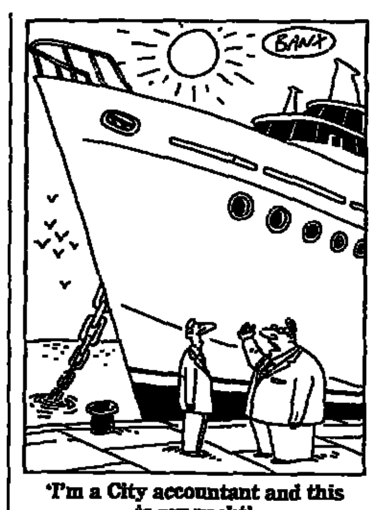
■ Tim Hoare, who has survived more mining booms than most mining brokers, is leaving Credit Lyonnais Laing, and taking Roger Chaplin with him. He is modelling his new venture, T Hoare & Co, along the lines of the old "Laing and Bang", before the French took over. No marks for guessing the new firm's nickname.

Freudian slip

■ Daimler-Benz will have to watch its language as well as its accounts when its shares are listed in New York next October. A statement on the UK stock exchange's Topic screen yesterday described Gerhard Liener as its chief financial *owner*. Not quite US-GAAP speak for officer.

Fidelity

■ What do Fidel Castro and an expensive, brightly coloured woolly jumper have in common? Not much at the moment but



'I'm a City accountant and this is my yacht'

perhaps a lot in the future.

For Benetton, the shrinking violet of the Italian clothes business which recently opened a number of branches in Cuba, has asked the ageing dictator to become the figurehead of its planned "research centre" to be based at Treviso in Italy.

The letter from Luciano Benetton – the company's head – is a very odd document, probably one of the last flattering missives Castro can expect to receive.

It invites Castro to become a "teacher of revolution" at the new institution. "A school of this kind needs a teacher. I thought of you because many of us have not forgotten the idealistic vision you offered your country . . ."

"It's not a joke," says a Benetton pr. "Castro's political cycle may be coming to an end but he did do an enormous amount to inspire the youth of his country and he would be ideal for an avant-garde school."

What next? Kim Il Sung signs up for Volkswagen?

Waters of Babylon

■ Romanian State Opera's spirited British debut last weekend in the gardens of Rochester castle in Kent was a rain-soaked affair, reminiscent of Pavarotti in the park. At the height of the deluge during Verdi's *Nabucco*, one sodden member of the audience remarked: "Not only the Babylonian captivity, but they throw in the Red Sea."

Open up, John

■ Poor old John Patten. As if it is not enough that Britain's over-worked and much maligned education secretary has been laid low by a nasty bug, he also looks like being one of the first casualties of the government's new drive for greater openness.

On June 18, his department refused a request from Tony Wright MP to publish an opinion poll on the Parent's Charter. No doubt this was because most parents were pretty unimpressed with the collapse of the testing which is at the heart of the charter. The department said that it was not Patten's practice "to publish either officials' advice or the research underlying it".

So how will he respond next April when Citizen's Charter minister William Waldegrave brings in his code of practice on the provision of government information?

While it does exclude officials' advice from disclosure, there is no exclusion for research which underlies officials' advice.

No return

■ Finding that heaven bears a marked resemblance to life in Switzerland, a new entrant asks St Peter for permission to check out the alternative. St Peter issues a standard 24-hour pass and the new boy has a splendid day out. The devils are friendly and there are some terrific bars and restaurants.

A few days later and St Peter receives a request for another pass. But this time he only agrees to issue a one-way ticket. Unperturbed, the new boy sets off happily through the pearly gates. On arrival, he is shocked to find pools of fire, horrible leering faces and bullies with pitchforks. He demands an explanation.

"It's easy," says the devil in charge of customer relations. "The last time you were a tourist. This time you are an immigrant."

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Wednesday July 28 1993

Fyodorov will attempt to overturn rouble reform

By John Lloyd in Moscow

MR Boris Fyodorov, Russia's deputy prime minister in charge of finance, returns from Washington today to urge that the central bank's cancellation of pre-1993 roubles be overturned to restore confidence in the government's handling of the country's finances.

Foreign governments and international financial institutions administering a $44bn foreign aid package view the currency debacle as a crucial test for Mr Fyodorov. As leading minister for financial reform, he needs to reassert control of the central bank and other financial levers in the fight against inflation and to stabilise the currency.

Mr Fyodorov is aware of the profound unease in US financial institutions and the US government – which leads the Group of Seven states in providing aid to Russia – over the sidelining of the finance ministry in the decision. At stake is the second $1.5bn tranche of a $3bn systemic transformation facility, to be considered by the IMF in September.

There was a further twist to the complicated political manoeuvrings yesterday when Mr Boris Yeltsin, Russian president, announced he had sacked Mr Viktor Barannikov, security minister, for "infringement of ethical standards and serious shortcomings in his work". He had been admonished by the Security Council on Monday for not responding adequately to attacks on Russian guards on the Tajikistan-Afghanistan border.

He has now been accused of using "commercial structures" to send relatives abroad. His dismissal is a dramatic fall from grace for a man who swung the power of his ministry, with its thousands of troops and former KGB operatives, behind Mr Yeltsin in previous crises.

The sacking was immediately contested by Mr Ruslan Khasbulatov, the parliamentary speaker, who accused Mr Yeltsin of "removing professionals" from the government. Mr Khasbulatov said he would reconvene parliament to reappoint Mr Barannikov. Mr Khasbulatov had earlier blamed the government's "ruinous monetary policy for the decision to change the currency.

Splits in the cabinet over the currency programme came into the open when Mr Sergei Shakhrai, a deputy prime minister, said the bank's decree had "sharpened political conflict" in the country.

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US ruling on dumped steel boost to world trade talks

By Nancy Dunne in Washington and Lionel Barber in Brussels

THE US International Trade Commission yesterday discarded 40 of 72 steel complaints brought by the US industry against imports from 20 countries, saying that the "dumped" and subsidised steel had not injured American producers.

However, most of the high-value corrosion-resistant products and cut-to-length plate were found to have caused harm and duties of up to 109 per cent levied temporarily by the US Commerce Department will now become permanent.

Two cases from the UK, involving subsidised and "dumped" cut-to-length plate, were both found to have injured US producers. Steel is defined as "dumped" when the US Commerce Department finds it was sold in the US "at less than fair market value".

Sir Leon Brittan, European Commissioner responsible for external economic relations, described the US ruling as "most encouraging" and said it would do much to improve the atmosphere for the Uruguay Round multilateral trade talks.

Sir Leon, who appeared somewhat surprised that the International Trade Commission had rejected many of the complaints lodged by the main US steelmakers, said the ruling would "help to defuse substantially what had become a very grave trade dispute".

The six ITC commissioners – three Democrats and three Republicans – all spoke of the complexity of the steel market and the difficulty of their decisions. Mr David Rohr, a Democratic commissioner, said that the process which produced yesterday's mixed results emerged from "the most open and transparent of any anti-dumping or countervailing duty regime in the world". He insisted: "There is no place or opportunity in that process for political considerations."

Many of the companies which avoided duties held only a small market share. Producers from Argentina, Australia, Italy and New Zealand emerged completely unscathed. All hot-rolled and most cold-rolled imports were found not to have caused injury.

Japan's hot and cold-rolled imports were found not to have caused injury but the ITC found against its important corrosion-resistance line.

German inflation boosts rate cut hopes

By Christopher Parkes in Frankfurt

GERMAN INTEREST rates could be cut further this week even though inflation has increased again, economists in Germany argued yesterday.

The cost of living in western Germany rose at an annual rate of 4.3 per cent in the month to mid-July, compared with 4.2 per cent in June, the federal statistics office reported.

Mr Martin Hüfner, chief economist at the Bayerische Vereinsbank, noted that in the previous three months consumer prices had increased at a "moderate" annual rate of 3.1 per cent, thanks partly to cheaper oil.

Although money supply growth was still exceeding the Bundesbank's target range the rate of expansion was weakening detectably, and if this continued there was a good chance it would return to within the range of 4.5 per cent to 6.5 per cent annualised growth fixed by the central bank. The broad M3 money supply measure in June grew at an annualised rate of 7.1 per cent.

Although the consensus yesterday was there was more than an even chance of a reduction in German rates, few observers expect a cut of over a ½ percentage point in the key discount rate, currently 6.75 per cent.

Dr Hüfner added that renewed tension in the European Monetary System was an important argument for a rate cut at the central bank meeting tomorrow, the last before the summer break.

The Bundesbank announced yesterday it would accept variable bids from commercial banks for short-term funds in its weekly money market operation. Some dealers believe the cost of borrowing short-term funds should come down today by about 0.15 percentage points to 7 per cent.

See Currencies, second section

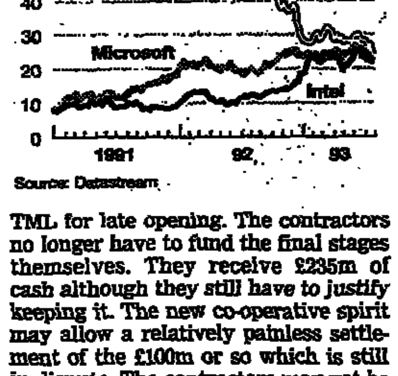
THE LEX COLUMN

Computer viruses

The heroic charges being taken by IBM are in proportion to the epic scale of the problem facing the company. Yet while $8bn-worth of red ink and another 35,000 job losses will slim IBM's distended cost base, it is by no means clear that current plans will solve the underlying difficulty. IBM has a near monopoly control of mainframe computer technology but it is rapidly being undercut by lower cost alternatives. Perhaps the most disturbing element of yesterday's figures was the 12.9 per cent fall in hardware sales during the second quarter. The company is losing market share in mainframe computers to networked personal and mini-computers and other large system manufacturers. The downturn in mainframe sales is not as bad as the first quarter, but the pricing structure of the entire market is being progressively undermined.

FT-SE Index: 2879.4 (+35.2)

US computer stocks



Source: Datastream

Those price and market share pressures will only intensify as the industry consolidates on standard equipment. IBM, however, cannot easily extricate itself or its customers from its existing technology. Almost all of its business units are involved in mainframes, and the company's unified salesforce is focused on selling packages of this "big iron". Mr Lou Gerstner, the new chairman, has the near-impossible task of managing the exit from the old mainframe technology while the company is still heavily dependent on the revenues it provides. Breaking the company up into more responsive business units may well be sensible in theory, and might have been more easily done in happier times. What bits of Big Blue would now be worth is impossible to say, and the route from here to there is as murky as ever.

Eurotunnel

The Queen and President Mitterrand clearly knew a thing or two when they agreed to open the Channel tunnel on May 6. The day after that announcement, Eurotunnel and TML trumpet a partial settlement ensuring an early opening and prompting a surge in Eurotunnel's share price. The mist has finally lifted; it is now possible to envisage the red ribbon being cut.

The settlement, though, is far from comprehensive. It is, in fact, a Bank of England-inspired fudge. Both sides win something from the settlement; neither gets everything they desire. Eurotunnel is assured of the phased opening, minimising lost revenues. But it has dropped its claims against TML for late opening. The contractors no longer have to fund the final stages themselves. They receive £235m of cash although they still have to justify keeping it. The new co-operative spirit may allow a relatively painless settlement of the £100m or so which is still in dispute. The contractors may yet be able to release some of their collective £200m provisions.

Eurotunnel can use existing borrowing facilities to pay the £235m. But the creation of an additional £120m standby facility shows the tightness of its financial position. This makes it all the more imperative to raise another £1bn next year. The rights issue prospectus will certainly make interesting reading since Eurotunnel is unlikely to pay a dividend until next century. The board may also care to explain why it wrangled with TML for so long when a settlement last autumn could have saved it more than £200m of lost revenues.

Lloyd's

The unsolicited opinion of a credit rating agency that Lloyd's no longer deserves a triple-A rating is unlikely to shake confidence in the insurance market. Its reserves against future claims are on most measures a match for the strongest insurers. If the declared wealth of Names is believed, neither is there a shortage of equity capital should reserves prove inadequate. Lloyd's is arguably more exposed to long-tail risks than its big US and European rivals. But erosion of underwriting capacity remains a bigger threat to Lloyd's share of world insurance than fears for financial security.

The most pressing task facing Lloyd's management is thus to attract new capital. The promise of future profits – backed by higher premiums and an overdue attack on costs – is a tempting carrot. But potential investors will have to be convinced that old risks are securely ring-fenced within the proposed new insurance company. The ability of the new vehicle to pay claims is where the issue of financial security is most likely to be fought.

The planned audit of reserves across the market should provide firm figures on which such decisions can be made. But the basis on which reserves for the new company are set should be as transparent as possible. A settlement with litigious Names would add a further degree of comfort. One wonders whether Lloyd's campaign to prove the strength of its ring-fence might even usefully include a credit rating.

UK economy

The latest CBI survey will not make happy reading for a prime minister hoping to rebuild his tattered credibility. Far from promising an accelerating recovery as parliament reconvenes after the summer recess, it lends credence to anecdotal evidence that the recovery is slowing. A run-down of stocks is likely to inhibit domestic demand. Manufacturers are still not ready to invest in additional plant and machinery. Above all, export demand is softening because of the slowdown in Europe.

That raises the question of how the British economy would be affected by any collapse of the ERM. Despite the recent rise in sterling, exporters seem more worried about the state of the markets in Europe than their competitiveness at current exchange rates. Arguably British exporters should thus benefit from a collapse of the ERM that brought lower interest rates across Europe and boosted demand.

Initially, though, life could become even harder. The French franc might not fall far if it left the ERM but it would be weaker for a while, conferring advantage on French industry. As in the UK, continental demand might be slow to respond to lower interest rates. The case for lower UK interest rates would then be all the stronger, if only to prevent sterling rising further. Sterling's higher exchange rate may not yet have priced exporters out of Europe. But, with or without the ERM, exporters need to be super-competitive to gain share of what promises to remain an exceptionally weak market.

VW chairman launches furious attack on GM

Continued from Page 1

all charges and suspicions of industrial espionage against former GM employees now at VW, the German group has swung on to the offensive.

"This is mudslinging," Mr Piëch told Stern. "And if we are to be attacked with dirt, we must defend ourselves accordingly."

He accepted that if Mr José Ignacio López de Arriortúa, former global purchasing chief at GM and now VW production director, was proved to have spied on the US company, then he himself would suffer "grave consequences".

"But this will not happen," he claimed. If he and Mr López went, then the "English disease" – the collapse of industry and Japanese domination – would break out" . . . and not only at VW. Our opponents would have achieved what they wanted. They would have won a war."

Mr Piëch told the magazine that an internal audit of VW computer programmes was under way to see if "anything has been foisted on us". If anything was found, then VW would go to state prosecutors and make charges.

Referring to four boxes containing secret GM data, allegedly left in a Wiesbaden house by Mr Jorgé Alvarez Aguirre and Mr Rosario Piazza, two former Opel managers now at VW, he said there was "a striking conflict between my colleagues' affidavits and the items found in Wiesbaden". The boxes "could have been at the disposal of our opponents and then handed to the police," Mr Piëch stated.

Refugees driven north by relentless barrage

Continued from Page 1

now also refugees. "Our house was destroyed by the bombs," said Mrs Moussa. "This hospital is our home."

Others, however, were Hizbollah fighters – the ostensible target of Israel's three-day barrage. In one half-hour spell yesterday, bearded men in blood-soaked fatigues, some wearing flak jackets, brought in two wounded, one on a stretcher, his head swathed in bloody bandages, another limping in with flesh wounds.

Minutes later, a corpse was carried in, wrapped in plastic bags and sticky-tape, and laid in the hospital entrance. The morgue was full.

"This is worse than 1982," said Mrs Wassila Abdou, a doctor at the hospital. "We have more civilians hurt."

That this bombardment is worse than the 1982 invasion was universally held by the huddled groups on south Lebanon's roadsides, the families packed in cars and the women and children in the backs of trucks.

"Ninety per cent of the people have left my village," said Mr Afif Salameh, a dentist from Doueir, four miles west of Nabatiyeh. "There are no Hizbollah there, they just want Lebanese to leave their villages."

"This is their aim," said a Lebanese army colonel, sheltering with his men in a half-built apartment block overlooking Harouf. "They want to drive everyone out of this area, then attack whoever is left. It is like 1982."

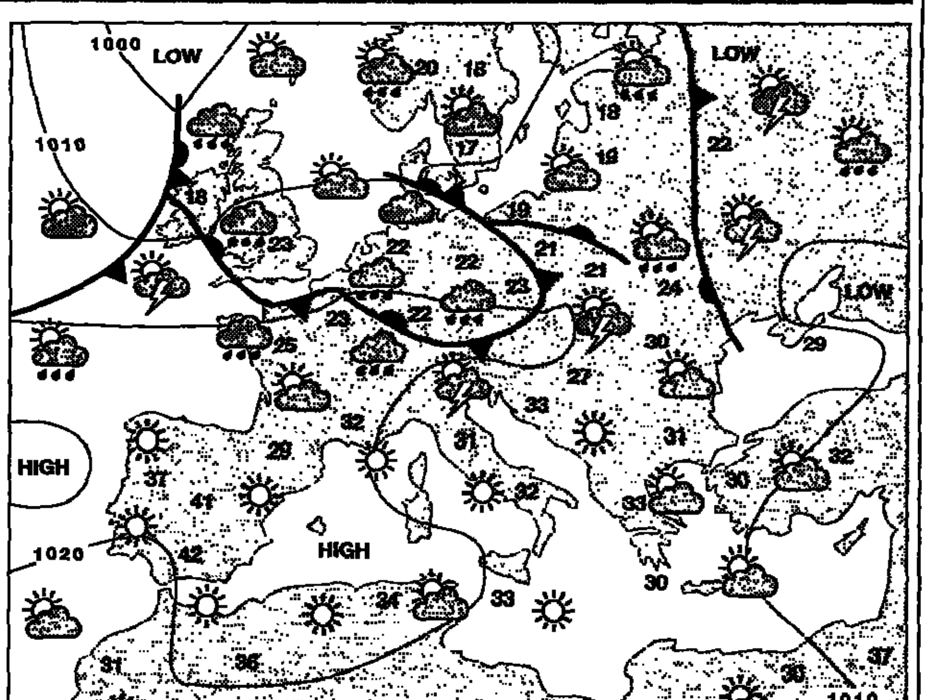
FT WORLD WEATHER

Europe today

A strong westerly flow will occur between a depression east of Iceland and a high pressure area near Portugal. From Britain and the north of France towards Poland it will be cloudy with periods of rain. Widespread showers will develop in the Alps and in Slovakia and Hungary. Later in the day, some scattered thunderstorms will develop. In Finland, it will be cloudy with periods with rain. Elsewhere in Scandinavia, there will be showers but some sunny spells as well. Drier conditions are expected in the south of Sweden and the Baltic states. Further east in the CIS, showers and a few thunder showers will form. It will be warm and sunny in the Mediterranean countries.

Five-day forecast

Initially, north-western Europe will stay in a strong westerly flow, which will cause cloudy conditions with rain. Later in the week, as a ridge of high pressure moves north-eastwards to France, there will be sunny spells, a few showers and diminishing winds. In the Mediterranean countries it will be mainly sunny and warm. The Alps will have some days with heavy showers. Scandinavia will have periods of rain as a series of depression moves across southern regions.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Berlin	shower	21	Chicago	fair	31	Faro	sun	33	Majorca	sun	32	Rangoon	cloudy	32
		Celsius	Bermuda	thund	29	Cologne	rain	21	Frankfurt	shower	22	Malta	sun	31	Reykjavik	shower	17
Abu Dhabi	sun	44	Birmingham	shower	20	Copenhagen	rain	18	Geneva	shower	25	Manchester	shower	19	Riyadh	sun	44
Accra	fair	31	Bogota	fair	18	D' Salaam	fair	29	Glasgow	shower	17	Manila	shower	31	Rome	sun	29
Algiers	sun	34	Bombay	cloudy	31	Dakar	fair	30	Hamburg	shower	20	Melbourne	fair	16	S' Francisco	sun	23
Amsterdam	rain	20	Bordeaux	fair	27	Dallas	sun	37	Helsinki	shower	18	Mexico City	thund	25	Seoul	shower	26
Athens	sun	33	Brussels	rain	21	Darwin	fair	30	Hong Kong	thund	32	Miami	sun	33	Singapore	cloudy	30
Bangkok	cloudy	35	Budapest	thund	22	Delhi	fair	35	Honolulu	fair	31	Milan	fair	30	Stockholm	fair	19
Barcelona	sun	28	Buenos Aires	fair	14	Dubai	sun	42	Isle of Man	rain	17	Montreal	rain	27	Strasbourg	rain	23
Beijing	fair	28	Cairo	sun	37	Dublin	rain	19	Istanbul	fair	30	Moscow	thund	23	Sydney	sun	19
Belfast	shower	18	Cape Town	cloudy	16	Dubrovnik	sun	32	Jersey	rain	17	Munich	rain	21	Tel Aviv	sun	33
Belgrade	sun	29	Caracas	sun	27	Edinburgh	shower	19	Karachi	fair	34	Nairobi	fair	24	Tokyo	cloudy	27
									Kuwait	sun	45	Naples	sun	31	Toronto	thund	30
									La Paz	sun	17	Nassau	thund	32	Tunis	fair	33
									Las Palmas	sun	29	New York	thund	31	Vancouver	shower	21
									Lisbon	sun	32	Nice	sun	26	Venice	fair	28
									London	rain	23	Nicosia	sun	32	Vienna	cloudy	22
									Los Angeles	fair	24	Oslo	fair	18	Warsaw	rain	21
									Luxembourg	rain	19	Paris	shower	23	Washington	fair	33
									Lyon	fair	26	Perth	fair	18	Wellington	fair	13
									Madeira	fair	26	Prague	rain	20	Winnipeg	fair	23
									Madrid	sun	38	R' de Janeiro	shower	23	Zurich	rain	22

FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday July 28 1993

INSIDE

BMW slides 40% at half year

Half-year net earnings at BMW, the German car-maker, fell almost 40 per cent to DM255m ($147.9m). Though the decline matched most expectations, the company's shares fell DM16.50 in Frankfurt, to close at DM562. Page 18

Share swap at Thomson

Thomson CSF, the French state-controlled defence electronics group is to exchange its remaining share in Altus Finance, the financial group which it owns with Credit Lyonnais, for an increased share in the French state-owned bank. Page 18

Philips retreats from defence

Dutch electronics group Philips is to sell its US defence activities to its local management team and to Carlyle, a Washington-based merchant bank. Page 18

Solo success

Dean Witter Discover, the hybrid securities brokerage and credit services company, is profiting from independence after 12 years as a Sears, Roebuck subsidiary. Page 19

Goodyear's good second quarter

Goodyear Tire & Rubber unveiled second quarter profits yesterday of $137.6m, the second best result in the company's history. Page 20

Bavaria fuels Viag expansion

The German state's sale of its majority stake in Bayernwerk, the country's third-largest utility, to Viag, the energy-based conglomerate, appears to favour the buyer. Page 21

Banking on revival

Any unfortunate surprises disclosed when the UK banks start reporting their half year results on Friday will be a shock to shareholders. This season is expected to herald recovery. Page 24

Boots rumour moves shares

Growing speculation that Boots, the UK retail and drugs group, is considering disposing of its drugs research arm inspired another day of heavy share turnover. Page 27

Pulped and battered

Wood pulp producers acknowledge that a solid upturn is unlikely for at least another six months as their industry is being battered by over-supply and weak demand. Page 26

Strong rise in Portugal

Since the beginning of the year, Portugal's Banco Totta e Acores index has risen by 34 per cent, mainly becaus of sharply falling money-market interest rates. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Berliner Bank	330	+	16.2
Didier-Werke	131.8	+	5.6
MAN Pref	274.5	+	7.5
Falls			
AG Ind & Verk	584.5	–	14.5
BMW (St)	562	–	16.5
Deutsche Babck	184	–	7.7

NEW YORK ($)

Rises			
Aldus	17¼	+	1¼
IBM	45⅝	+	2¾
Falls			
Data General	8¼	–	½
Novell	18½	–	2¾
Stratus Compt	25¾	–	4
USX-US Steel	34⅜	–	1¾

PARIS (FFr)

Rises			
Legris	184.8	+	15.8
Spie Batignolles	363	+	11
Falls			
Carnaud Mtl bx	215.5	–	5.6
Eridania B-Say	760	–	15
Michelin B	167.5	–	4.7
Pernod Ricard	390.2	–	10.7

TOKYO (Yen)

Rises			
Dai Nippn Torys	485	+	27
Hirin Brewery	1290	+	50
Hitachi Metals	1070	+	40
Ihara Chemical	820	+	39
Tokyo B'castng	1490	+	60
Falls			
Daishowa Paper	1720	–	60

New York prices at 12.30 pm.

LONDON (Pence)

Rises			
BICC	416	+	18
Brit Aerospace	422	+	13
Brixton Estate	230	+	10
Clyde Petrlm	49	+	3
Dudley Jenkins	61	+	7
Eurotunnel Uts	434	+	27
Grand Met	412	+	14
GUS A	1970	+	39
Hambros	360	+	15
Hunterprint	41	+	6
Intl Bus Comms	124	+	8
Mayborn	174	+	8
Menvier-Swain	600	+	23
Pearson	487	+	27
St Modwen	38	+	3½
Scot Newcastle	444	+	12
Wellcome	865	+	25
Falls			
Capita	163	–	5
Hartstone	55	–	5
Herring Baker	57	–	5
Highland Dist	313	–	12
Merrydown	265	–	13
Shandwick	22½	–	4
Tiphook	235	–	14

Deutsche Bank shrugs off recession

By Christopher Parkes in Frankfurt

DEUTSCHE BANK, Germany's biggest bank, expects 1993 profits at least to match last year's level, in spite of poor economic conditions and high credit risks, according to chairman Mr Hilmar Kopper.

The scale of the bad debt risks showed up for the first time in half-year results published yesterday. Operating earnings, adjusted for credit risk provisions, rose 12.6 per cent to DM2.56bn ($1.48bn).

On a like-for-like basis with 1992 first-half results, earnings were 22 per cent higher at DM3.86bn. Risk provisions, especially for domestic credits, totalled DM1.38bn compared with DM955m last year.

The figures were prepared for the first time according to new European Community guidelines.

Mr Kopper said the bank was flexible and strong enough to achieve a satisfactory result even in today's difficult environment.

Net income last year was DM1.8bn compared with DM1.4bn in 1991.

After-tax earnings in the first half of this year rose 14.3 per cent to DM1bn, against DM915m last time.

Net income from interest rose to DM5.85bn from DM5.5bn, while trading earnings rose strongly from DM600m to DM808m.

Customers' deposits increased DM17bn to DM259bn, while savings deposits dropped by almost DM1bn to DM42.2bn. Group operating costs rose from DM5.2bn to DM5.7bn.

Deutsche, the first of the big banks due to report in the next few weeks, suffered a 3.2 per cent fall in operating profits in the first part of 1992, blaming economic conditions in the world economy.

Since then, Germany too has plunged into recession. Bankruptcies have risen rapidly among long-established industrial companies, and only yesterday the VDA car industry association warned of looming insolvencies among motor component suppliers, many of which are medium-sized privately owned concerns.

So far in 1993, corporate insolvencies are up 20 per cent over the early part of 1992, when the economy was still growing relatively strongly.

Yesterday's Deutsche figures confirmed the slowdown forecast by Mr Kopper in May, when he reported operating profits rising by more than 20 per cent in the first four months of the year. It was unrealistic to expect this to continue, he noted.

Similar trends are expected from Dresdner Bank and Commerzbank.

Peace made in tunnel dispute

By Richard Tomkins and John Gapper in London

EUROTUNNEL and the contractors building the Channel tunnel yesterday announced an agreement to end their long conflict, paving the way for a phased opening of the tunnel next year.

The 20-page agreement between Eurotunnel and Transmanche-Link, the Anglo-French consortium of contractors building the tunnel, is aimed at settling the bitter dispute over which of the two should be responsible for heavy cost overruns. The contractors have claimed about £1.2bn ($1.8bn).

The deal does not settle the claim, but disentangles it from the task of completing, testing and commissioning the tunnel so that the opening can go ahead unimpeded.

A target date of December 10 has been set for TML's handover of the project to Eurotunnel. The parties have agreed on how the remaining commissioning tests should be carried out.

Between now and the handover, Eurotunnel will advance £235m to TML as a downpayment on the settlement of its claims, providing TML with an injection of working capital. Eurotunnel is arranging a stand-by facility of £120m so that the extra payment does not cause it to run out of cash before a rights issue expected next spring.

The deal will require the approval of 220 banks in the syndicate, led by National Westminster, Midland, Credit Lyonnais and BNP. They have to approve the £120m facility and changes to construction agreements.

Bankers said they expected the changes to be agreed without difficulty. The £120m standby facility would be syndicated within the current bank group.

Mr Neville Sims, TML co-chairman, said yesterday that the Bank of England had "held the ring" at five meetings attended by a representative of the main banks. Without Bank of England help, it "could have taken several months rather than weeks".

The deal means that freight trains and shuttles carrying lorries should start passing through the tunnel early next March, with shuttle trains for cars by the beginning of May.

London-Paris and London-Brussels passenger services are not expected to start until October, but Eurotunnel said the tunnel would be ready for them in May.

Lex, Page 16

Going: Loïk Le Floch-Prigent

Axe set to descend on Elf's chairman

By John Ridding in Paris

THE future of Mr Loïk Le Floch-Prigent, chairman of Elf-Aquitaine, appeared in jeopardy yesterday following confirmation from an official source that the French government was considering removing him as head of the state-owned oil group.

An announcement is expected before the end of the summer. The company, France's largest industrial group, is slated for privatisation by early next year.

Mr Le Floch-Prigent was appointed head of the oil group by the socialist President François Mitterrand in 1989. He has been regarded as vulnerable since the centre-right government of Mr Edouard Balladur took office in March.

Under the privatisation law, the government can replace heads of state-owned companies prior to privatisation. . The sale of the government's 51 per cent stake in Elf is expected by early next year.

Analysts said that a move to replace Mr Le Floch-Prigent would demonstrate the continued role of the French state in public sector companies, but would not necessarily mean a shift in strategy for the group as senior management was firmly in place.

Mr Le Floch-Prigent has reduced Elf-Aquitaine's concentration on the French market and expanded its downstream activities. Acquisitions have included the UK assets of two US companies, Amoco and Occidental, and the service station network of Heron of the UK.

He has also expanded the group's pharmaceuticals and chemicals divisions. In 1991, Elf-Sanofi, which is 51 per cent owned by Elf, formed a joint venture with Sterling Drug of the US. Last year's acquisition of Yves Saint Laurent consolidated Elf-Sanofi's position as one of the world's three biggest perfume and cosmetics companies.

The group is encountering difficult market conditions particularly in basic chemicals and fertilisers. Mr Le Floch-Prigent has warned that operating profits in the first half of the year will be about 25 per cent down.

Raymond Snoddy explains the reasons behind the UK group's decision to spin off its china and oil interests

Pearson turns the spotlight on the media

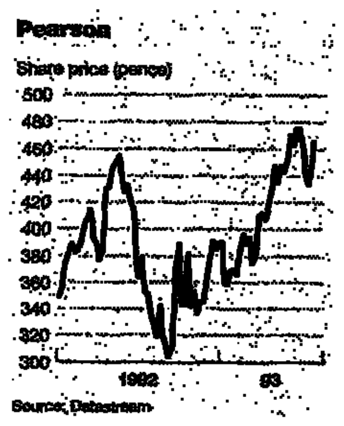
Pearson at last came out yesterday and finally admitted in public what has long been whispered in private – that it is a media, information and entertainment group.

Its metamorphosis has been spread over a decade, but it was only yesterday that the tadpole finally turned into a frog with the announcement that it had decided to demerge Royal Doulton, the fine china company, and sell a majority stake in Camco, its oil services division.

"Shareholders increasingly view Pearson as a media company and value it as such. While fine china and oil services are attractive investments in their own right, they do not add value to investors looking for exposure to the media sector," Lord Blakenham, chairman and chief executive, said yesterday.

The one exception to the new focus on the media will be Lazard Partners, Pearson's associated merchant bank. "Marvellous cash flow and extremely good advice. We are very happy with it," said Lord Blakenham.

The changes over the past decade may have been gradual but they have been fundamental.



In recent months they have intensified with the acquisition of Thames Television.

In the early 1980s Pearson's interests ranged from Fairey, the engineering group, through oil companies to Château Latour, the leading French vineyard. Media interests, such as the Financial Times, Penguin and the Economist accounted for a third of capital employed.

By the end of last year, two thirds of the £2.1bn ($3.2bn) capital employed was accounted for by media and entertainment, boosted by the addition of companies such as Addison-Wesley, the US educational publisher; Les Echos, the French financial daily; and a 17 per cent stake in British Sky Broadcasting, the satellite television venture.

"Our distinctive strengths include the ownership and exploitation of brands, imprints and intellectual property rights," said Lord Blakenham.

Unfortunately yesterday's announcement came the day after Mr Rupert Murdoch's News Corporation beat Pearson to control of a large media prize, the Hong Kong-based Star TV satellite system which broadcasts to 38 Asian countries.

"They managed to snatch defeat from the jaws of victory. If they had put money on the table in the first week they would have had it," said one of those involved in the negotiations.

Pearson had been negotiating for a month with Star TV, owned by Mr Li Ka-Shing and his family and Hutchison Whampoa, also controlled by Mr Li. The UK group was unwilling to accede to Mr Li's insistence on a public offering for the company. It wanted him to remain a minority shareholder until after 1997, when Hong Kong reverts to Chinese ownership.

Goldman Sachs, the merchant bank representing Mr Li orchestrated an auction. Mr Murdoch had earlier made an offer and walked away from the venture, which claims 65m viewers in 15m Asian homes. He was persuaded to come back less than two weeks ago. He interrupted Mr Sam Chisholm, chief executive of BSkyB, on the first day of a holiday in Australia and dispatched him to Hong Kong. Mr Chisholm stayed until the deal was complete. Mr Murdoch agreed the $525m shares and cash deal for 63.4 per cent of Star on Thursday. On Sunday Pearson, which offered a considerably higher price than Mr Murdoch as long as Mr Li stayed in, was still negotiating in Hong Kong in good faith.

Lord Blakenham yesterday put a brave face and would only say that Pearson would have been interested in Star under the right terms and conditions.

One Pearson executive said: "We are not Rupert Murdoch. He came within half an hour of going bust. We don't bet the shop and are happy to stand on our record."

Analysts yesterday supported the principle of Pearson's strategy, but expressed surprise at the "bottom of the cycle" timing of the demerger of Royal Doulton and disposal of Camco.

In 1992 Royal Doulton and Camco accounted for 30 per cent of Pearson's £1.6bn sales and about 7 per cent of the group's £156m operating profit.

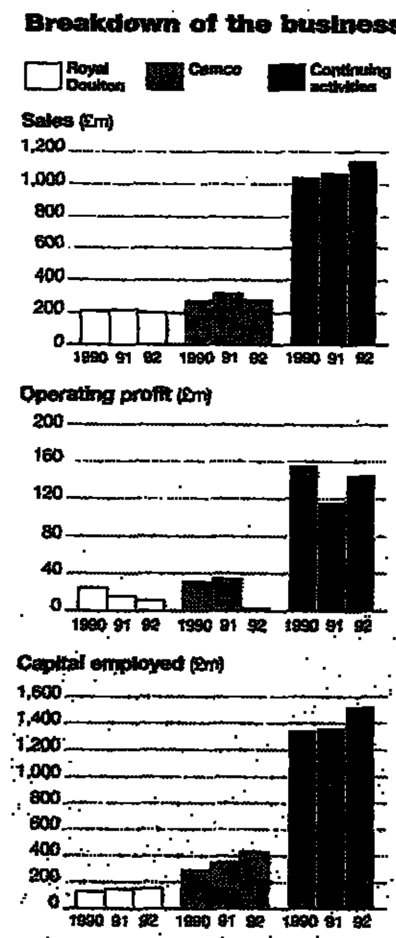
Royal Doulton, which Pearson has owned for just over 20 years, made a operating profit of £10.7m last year on sales of £200.9m. It will be demerged from Pearson probably before the end of this year and will have a separate Stock Exchange listing. Pearson shareholders will be given the Royal Doulton shares if they agree to the demerger. Although Royal Doulton, whose brands include Royal Crown Derby, Minton and Royal Albert, has been hit by the recession, it has performed well in its sector.

Pearson decided that the best way to get maximum value for Camco, a US company which makes everything from rock drilling bits to testing equipment for oil and gas wells, was to go for a public offering in New York. A majority will be offered, probably in the first half of 1994. Pearson will hold on to the remaining stake for a limited period. Camco had operating profits of £500,000 last year on sales of £289.8m.

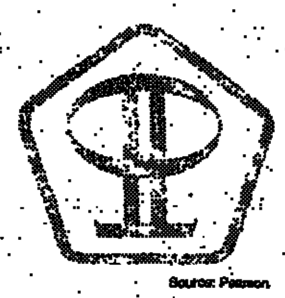
In a final irony yesterday, Mr Murdoch – still on "holiday" on his new yacht Morning Glory – spotted that the Pearson announcement had driven up the share price. He got rid of 16.5m Pearson shares through Goldman Sachs at 464p – about £76m. It was the last remnant unencumbered by convertible agreements of a loss-making stake in the group that peaked at 20.57 per cent in Jan 1988.

The opportunistic move will help pay for his acquisition of Star TV.

Breakdown of the businesses



Lord Blakenham



Source: Pearson

Currency helps Reuters gain 15%

By Andrew Bolger in London

REUTERS Holdings, the international news and information group, still expects double-digit revenue growth this year, helped by sterling's devaluation. The group, which on Monday announced a £350m ($524m) share repurchase scheme, said pre-tax profits increased by 14.6 per cent to £214.7m in the first half. Revenues rose 19.7 per cent to £895.8m, but after stripping out the effect of currencies, the gain was 5.7 per cent.

Mr Peter Job, chief executive, said the share buy-back scheme should be viewed against a background of a strongly growing business. "We are comfortable with the market we are in. Financial services is not a 'Jurassic Park' business."

Net cash totalled £629.8m at the half-year. Mr Job said Reuters would still have a sizeable sum to invest after the repurchase scheme. "However, we will not buy businesses just for the sake of it. We do not want to become a professional acquirer."

Mr Rob Rowley, finance director, said currency movements were expected to enhance earnings in the second half, although the benefits would not be as pronounced as in the first six months. "The see-saw of currencies is a worrying factor, but together with price stability and better order flows, we expect continued business growth in 1994."

Operating profits rose 19.2 per cent to £184.1m, while margins were maintained at 20.6 per cent.

Mr Rowley said that capital expenditure was around £40m higher at £105m during the half and may reach a new peak for the year as a whole.

Mr Job was satisfied with the progress of the group's electronic transaction product range, particularly Dealing 2000-2 and Instinet. He added: "The volumes on Globex, the financial futures matching service, continue to rise in Paris but we are concerned that the activity on the system in Chicago remains low."

Business in the Americas remained strong. Rapid expansion continued in Russia and eastern Europe, while western Europe was mixed.

The interim dividend rose by 17 per cent to 6.2p, and earnings per share 24.5p to 34.4p.

BMW tumbles 40% at halfway

By Christopher Parkes in Frankfurt

HALF-YEAR net earnings at BMW, the German quality carmaker, fell almost 40 per cent to DM255m ($147.9m), the company said yesterday.

Although the decline matched most expectations, the company's shares fell DM16.50 in Frankfurt, to close at DM562.

While car registrations fell 16 per cent in Europe to 200,000, the company reported an 18 per cent sales surge in the US, where almost 37,000 vehicles were sold in spite of the generally sluggish state of the upper market segment.

Conditions in Japan continued to worsen, and BMW sales fell 13 per cent to 12,800, while importers of European cars reported an 18 per cent overall drop in demand for quality vehicles.

Turnover fell 9 per cent to DM14.74bn, while car production dropped 11.5 per cent to 277,000. Output of motorcycles increased 2 per cent to almost 22,000, although sales fell 3 per cent.

Sales in Germany were down 13 per cent at DM6.2bn, compared with a decline of 18 per cent to DM4.23bn in the rest of Europe and an 11 per cent increase to DM4.3bn in other export markets.

BMW continued to reduce costs by cutting its workforce. At the end of the first half the company employed 72,000, some 3,600 fewer than at the comparable point in 1992.

Although BMW did not expect the world car market to recover this year, it said that the European economic downturn should bottom out soon, and that recovery in North America and the UK would lift business.

BMW, which has benefited from strong sales of its new 3-Series, launched last year, plans to introduce new variants of this model and the 5-Series at the Frankfurt international motor show in September.

US sale ends Philips' presence in defence

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, is to sell its US defence activities to its local management team and to Carlyle, a privately-held Washington-based merchant bank.

The sale marks the last stage of Philips' withdrawal from defence electronics.

Magnavox Electronic Systems, a wholly-owned subsidiary with annual turnover of more than $400m, has been for sale since the late 1980s.

Attempts to sell the unit were hampered by the downturn in the sector caused by the end of the cold war and subsequent sharp cuts in defence spending.

Philips declined to give financial details but said it expected the divestment to be completed by the end of September, pending government approval in the US.

In 1990, the Dutch company sold its European defence electronics activities, mainly to Thomson of France, as a first step in withdrawing from a sector which was no longer regarded as belonging to the group's core businesses.

Philips was yesterday unable to say whether the transaction would yield a book profit. The company's second-quarter results, due on August 5, will include an extraordinary gain of Fl 1.1bn ($567m) on the recent sale of its minority stake in an Asian semi-conductor joint venture, Matsushita Electronics Corp, to Matsushita of Japan.

Philips emphasised that the Magnavox defence activities were unrelated to Philips' other Magnavox companies in the US, which make televisions and other consumer products.

The divestment of Magnavox Electronic Systems marks the realisation of a long-standing goal for Philips, which announced its retreat from defence electronics in 1989.

A year later, Philips fell into financial difficulties that prompted it to divest a number of businesses, including personal and mini-computers, as part of efforts to return to sustained profitability.

Rooney stays on as chief of Spring Ram

By Andrew Bolger in London

MR BILL Rooney is to continue as chief executive of Spring Ram, the UK bathrooms and kitchens group he co-founded – at least for the time being.

That was the unexpected outcome yesterday of a two-week stand-off between the board of the company and its institutional investors, led by the Prudential Corporation.

Spring Ram announced that Mr Rooney's role as executive chairman would be taken by Mr Roger Regan, a building industry veteran who was approached by institutions after Spring Ram issued three profit warnings within eight months, causing a collapse in its share price.

Mr Regan, 50, spent three years as managing director of A.G. Stanley until the time of its takeover by the Ward White Group in 1988. He is chairman of the recently-floated Fine Decor Group. Mr Regan will be joined on the board by Mr Martin Towers, who has been appointed finance director, and Mr Richard Fortin, who is a non-executive director.

It is understood the new board might bring in a new firm of accountants to check the work of Spring Ram's existing auditors, Arthur Andersen, who signed off the annual accounts without qualification in April.

The new executive chairman said he would have responsibility for corporate and executive matters, while Mr Rooney would concentrate on developing sales and the business.

Mr Regan said he had decided it would best if the new board could continue to harness Mr Rooney's "great entrepreneurial talents."

Suez-UAP talks over joint interests on hold

By Alice Rawsthorn in Paris and Richard Lapper in London

NEGOTIATIONS between Suez, the French holding company, and Union des Assurances de Paris (UAP), the insurer, over their joint insurance interests are still on hold despite the former's bid to raise its stake in Victoire, the French insurer in which they have a joint holding.

Suez on Monday unveiled details of an offer to buy the 2 per cent of Victoire's shares that it does not already own in concert with UAP. Suez, which controls Victoire with a 63 per cent stake and holds 98 per cent of the voting rights in concert with UAP, is offering FFr1,480 for each of the remaining 360,000 shares.

However, Suez said that the offer did not affect its policy on UAP's plans to take control of Colonia, the German insurer controlled by Victoire. UAP has been trying to persuade Suez to cede control of Colonia, but Suez late last year broke off negotiations after a disagreement over price.

Nevertheless, analysts said yesterday that the deal could foreshadow the resumption of negotiations between the two groups over the UAP stake in Victoire.

Mr Michael Huttner, European insurance analyst with BZW Securities in London, said Suez's acquisition of the Victoire minorities could lead to a closer integration of the holding company with its insurance subsidiary.

"We are regarding this as a prelude to a wider deal. It is the first step in the real drama which will eventually lead to UAP getting hold of Colonia," said Mr Huttner.

Daimler to make New York debut in October

By Christopher Parkes

TRADING in Daimler-Benz shares on the New York Stock Exchange – the first German stock to be listed there – will start on October 5, the automotive-based technology group said yesterday.

The listing, as expected, will be in the form of American Depositary Receipts (ADRs). Citibank, the main subsidiary of Citicorp, has been appointed depositary bank.

The move was a further commitment to internationalisation, the company said. It follows listings in 1990 in London and Tokyo, and in Paris in October 1991.

It also gives Germany's biggest industrial concern access to the world's largest capital market at a time when domestic sources are strained. Together with plans to build the group's first US vehicle works, the listing is also an important image-building move in the world's largest car market.

Last year, Daimler's US sales reached DM13bn – some 13 per cent of the group total – through 27 group subsidiaries employing 13,000.

The group started negotiations over a listing more than a year ago, together with other leading German groups – including chemicals concerns with considerable business interests in north America.

However, the other companies pulled out of the talks because they were not prepared to meet transparency requirements demanded by the Securities and Exchange Commission.

According to one senior official, the compromise reached with Daimler did not entail an "unconditional surrender" by the German group.

For the current year, Daimler will adapt its accounting methods to "meet the expectations of the international investment community," it said yesterday.

Daimler shares have previously been traded in the US by various banking institutions issuing their own unsponsored ADRs.

Thomson-CSF lifts Crédit Lyonnais holding to 21%

By John Ridding in Paris

THOMSON-CSF, the French state-controlled defence electronics group, is to exchange its remaining share in Altus Finance, the financial group which it owns jointly with Crédit Lyonnais, for an increased share in the French state-owned bank.

Under the terms of the agreement announced yesterday, Crédit Lyonnais will receive Thomson-CSF's 32 per cent stake in Altus, while Thomson-CSF will raise its shareholding in Crédit Lyonnais from 14 per cent to 21.6 per cent.

Thomson-CSF said the deal would free it from a minority shareholding and was consistent with its strategy of concentrating on core industrial activities. It said it intended to sell its shareholding in Crédit Lyonnais once the bank had been privatised, estimating that this would raise about FFr10bn ($1.7bn).

Crédit Lyonnais is on the French government's list of 21 companies which it plans to privatise. However, no date has yet been set for the sale.

The defence electronics group said the agreement with Crédit Lyonnais was purely financial and not strategic. It said it would not be represented on the board of Crédit Lyonnais.

The deal represents the end of Thomson-CSF's participation in external treasury operations. It established a financial subsidiary to manage its foreign exchange business following the award of a $9bn missiles systems contract with Saudi Arabia in 1987. In 1989, it ceded control of the subsidiary, which then became Altus Finance, to Crédit Lyonnais.

Since then, Thomson-CSF has gradually reduced its stake in Altus Finance. "Our activities have diverged," Thomson-CSF said. "Altus has diversified its activities into areas like property and retailing while we are an industrial company." Altus is currently engaged in a bid for control of Fnac, the retailing group.

Last year, Thomson-CSF's stake in Crédit Lyonnais was one of the principal reasons for a 35 per cent decline in net profits, to FFr1.52bn as the French bank reported its first loss for 18 years. However, it does not expect the losses at the bank to continue.

Ferfin rescue faces fresh delay

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), the Italian holding company burdened with total borrowings of about L31,000bn ($19bn), will have to wait at least another month for the five banks preparing a rescue plan to finalise their proposals.

The plan was originally expected at the end of this month, although Ferfin's foreign creditor banks yesterday appeared prepared to continue supporting the group.

News of the delay and of the reaction of foreign banks, which have lent Ferfin about L6,500bn, came as members of the Ferruzzi family discussed their investment. Serafino Ferruzzi, the ultimate family holding company through which the Ferruzzis control 48 per cent of Ferfin, indicated it had made a heavy loss for 1992, though no figures were released.

However, the fact that Serafino Ferruzzi will have to recapitalise to meet the requirements of Italian company law implies that the 1992 loss exceeded L460bn, the holding company's capitalisation.

A date for a shareholders' meeting to consider the company's financial position and its legal relationship with the five Italian banks leading the Ferfin rescue was put off until the plan was ready.

The banks are expected to unveil their proposals by August 31, when Ferfin is due to hold a special shareholders' meeting. The assembly, called last month to approve a drastic write-down in Ferfin's capital, may be followed by a rights issue.

If the deal goes ahead as expected, it would probably allow leading creditor banks to exchange some of their loans to Ferfin for equity.

Pinault considering stake in Fnac

By Alice Rawsthorn

MR FRANCOIS Pinault, who heads Pinault-Printemps, the French retailing group, is considering taking a stake in Fnac, the books and music retail chain which is the target of a takeover bid.

GMF, the mutual insurance group that controls Fnac, last week announced that it had given an option to acquire a majority stake to Altus Finance, part of the Crédit Lyonnais banking group, and Compagnie Générale des Eaux (CGE), the utility company.

Under the terms of the deal, Altus and CGE have an option (lasting until October 11) to buy 54.78 per cent of Fnac for FFr2,928 a share, or FFr1.3bn ($220.7m).

However, the deal is still under scrutiny by the French stock market authorities. The COB, the stock market watchdog, said yesterday that it had not completed its assessment.

Meanwhile, La Tribune Desfosses, the French financial daily, yesterday reported that Mr Pinault had met with representatives of Altus and CGE to discuss the Fnac situation.

Mr Pierre Blayau, who recently took over from Mr Pinault as executive chairman of Pinault-Printemps, confirmed that Mr Pinault was interested in Fnac during an interview with yesterday's edition of Les Echos, another financial paper.

INTERNATIONAL COMPANIES AND FINANCE

American Express profits up sharply

By Richard Waters in New York

EARNINGS at American Express, the US travel and financial services group, rose sharply in the second quarter. The group was lifted by a cut of one-third in its provisions for credit losses and strong revenues generated by its Lehman Brothers securities arm.

Post-tax profits rose 34.1 per cent to $416m, or 83 cents a share, up from $310m, or 63 cents, a year ago. For the first half, net income rose to $659m from $584m.

Travel-related services saw a rise in net income to $234m, from $124m, as provisions for losses and claims fell to $394m, from $600m.

The company said the decline, which was attributable mainly to its lending rather than its charge card operations, was due to improved credit management and portfolio restructuring.

Revenues from travel-related services fell, due to discount rate reductions and a fall in the number of cards in use, though this was partially offset by an increase in the volume of business billed to each cardholder.

At the end of the second quarter there were 34m cards in issue, down from 35.6m a year ago. Business billed to these cards amounted to $31m during the quarter, up from $29m, with a rise in US business offsetting a slight decline elsewhere.

Lehman Brothers, which American Express will continue to own after the expected completion of the sale this weekend of the Shearson retail broking business, returned after-tax earnings of $95m, after a loss of $24m in the same period in 1992.

Commission and market-making income were up, while investment banking revenues fell to $208m from $245m. Shearson made net profits of $$26.5m in the quarter, down from $28m a year before.

Broker emerges from retailer's umbrella

Dean Witter Discover is prospering in its independence, writes Patrick Harverson

DEAN Witter Discover, the securities brokerage and credit services company, is enjoying new-found independence after 12 years as a subsidiary of Sears, Roebuck, the large US retailer.

Last week, the company, which went public in February, announced a record profit of $157m for the second quarter, which pushed its stock up to $38⅝, close to its high.

The decoupling of Dean Witter from Sears, part of a strategy by the retailer to concentrate on its core businesses, began in February when 20 per cent of the company was sold to investors via an initial public offering.

Four months later, the remaining 80 per cent was distributed to Sears shareholders in the form of a dividend, and on July 1 Dean Witter Discover began life as a 100 per cent publicly-owned company.

Dean Witter has emerged from under the Sears umbrella as a curious, but highly profitable, hybrid. A company with a big presence in the retail stockbroking and asset management that happens to be the largest single issuer of credit cards in the US.

Dean Witter's credit services division, through its Discover credit card, last year contributed more than half the company's annual profit of $410.5m. At the end of 1992, the Discover card was the largest single-issuer credit card in the US with 39m members.

It ranked second (after Citibank) in outstanding receivables, and third (after American Express and AT&T) in dollar transaction volume.

The Discover card, launched nationally in 1986, was initially seen by many industry observers as a foolhardy diversification by Sears.

At the time, says Mr Philip Purcell, Dean Witter's chairman and chief executive, "everybody thought that it was a mistake".

Sears was determined to expand its financial services operations, and invested $200m, after-tax, in Discover over the first two years.

By the third year, it was producing a profit. The decision to aim the card at value-conscious consumers and build a large base of merchants who took the card (1.7m as of 1992), quickly paid off. The card attracted 6m holders in each of its first two years.

New cardholder growth has slowed, most notably last year, when only 800,000 net new accounts were reported. The sharp drop has concerned analysts and investors.

However, Mr Purcell blames the slowdown on two exceptional factors.

First, the mailing of pre-approved applications to potential customers was halted for nine months last year because of a mistake in the mailing process. Second, Dean Witter is purging inactive accounts to save servicing costs, a move which accounted for 700,000 cardholders last year.

Mr Purcell says account growth will improve this year, and pick up in 1995 when the purging of inactive accounts is complete.

Dean Witter is trying to cut its Discover costs as competition between card issuers becomes hotter than ever.

Philip Purcell: account growth will improve this year

"I think there are things going on in the market place that we are concerned about. You have now got a number of competitors offering value-oriented products," Mr Purcell admits.

The company has responded by lowering the interest rate it charges favoured customers, by targeting mailings more efficiently, and by building its merchant base further. As a result margins have been squeezed. On the positive side, the move to variable interest rates on cards means the company has access to cheaper variable funding.

Dean Witter plans to issue its own Visa card, called Prime Option. However, those plans are foundering on opposition from Visa, which disputes Dean Witter's right to issue Visa cards under its Discover label.

The dispute rests in the courts, and Dean Witter knows it is in a legal battle that could drag on for years.

"They're trying to keep us out of the business, we're trying to get in the business. We're in a hurry, they're not. As long as they can drag the process out, they win," Mr Purcell says.

On the securities side, Dean Witter continues to consolidate its position as a retail broker with a strong asset management business. The firm has $65bn of client assets under its control, and continuous fee income from managing that money covers 71 per cent of the brokerage's fixed costs.

Its focus on broking, and selling the retail customer financial products such as mutual funds, plus its decision to steer clear of more volatile businesses such as proprietary trading and investment banking, means Dean Witter's revenue growth has been the most consistent of any Wall Street securities house.

In 1990, for example, the firm posted a hefty profit and a 19 per cent return on equity while the rest of the industry racked up large losses.

Although Mr Purcell says running two businesses as different as securities broking and credit services is not a strain on management, some observers worry that if a serious problem develops in one business, it could hurt the other.

Mr Michael Flanagan, securities industry analyst with Lipper Analytical in New York, cautions: "There is no commonality between securities brokerage and credit cards, and one management is running two businesses, which has got firms into trouble before. I see two disparate organisations as a possible Achilles heel."

In spite of these concerns, industry analysts are upbeat about Dean Witter's immediate prospects, particularly while the rise in asset management and retail broking lasts.

However, now that it is no longer part of Sears, Dean Witter is finding its own funds, and its businesses are expensive to run. Sears was keen to sell because financing the credit card business was increasingly costly.

Mr Flanagan says: "Now that it's on its own, the company is aggressively securitising its [credit card] receivables. Plus, continued growth in managed assets requires continued growth in reserves, and thus capital, which will come from public markets."

Analysts do not envisage any problem in that department, with sentiment about the company among the investment community still strong.

On the debt side, financing should be available, because Dean Witter's debt ratings have improved since it went public.

Arco blames tight margins for decline

By Richard Waters

ATLANTIC Richfield (Arco), the Los Angeles-based energy group, reported a fall in second-quarter net income to $271m, or $1.67 a share, from $309m, or $1.91, a year ago. It blamed pressure on margins in its downstream oil and gas business and chemicals.

The figures include a net credit of $48m reflecting gains from the sale of oil and gas properties, compared with a $65m special credit in the 1992 quarter.

Refining, marketing and transportation earnings fell from $162m to $129m. Earnings from chemicals dropped to $9m, from $24m last time, before the benefit from the $56m sale of a South Korean joint venture by Arco Chemical, an 83 per cent-owned subsidiary.

Higher natural gas prices, though, helped push exploration and production earnings to $160m before the gain on disposals, from $143m.

First-half net income was up year-on-year, from $489m in 1992 (before a $392m for a change in accounting policy) to $531m.

● Unocal, also based in Los Angeles, reported second-quarter net earnings of $88m, or 33 cents a share, up from $66m, or 28 cents a year before.

Excluding the effect of accounting changes and other special items, first-half net earnings were up from $76m to $186m.

Novell warns on earnings

By Martin Dickson in New York

NOVELL, the US computer software company, warned that third-quarter European sales were weaker than it had anticipated and it expected earnings per share for the period to be flat relative to 1992.

Analysts had expected earnings per share of around 27 cents, but some cut their forecasts to around 23 cents, against the 21 cents the company registered in the third quarter of last year.

Novell, which is based in Utah and specialises in software to link computers in local area networks, recently acquired Unix System Laboratories from American Telephone & Telegraph.

It said that because of the European weakness it expected total third-quarter revenue, including about $8m from Unix System Laboratories, to be roughly flat with its second quarter.

REPEAT INVITATION TO TENDER FOR THE HIGHEST BID
for the Purchase of the assets of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES"
of Athens Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Str., Athens Greece, in its capacity as Liquidator of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991),

announces a repeat call for tenders

for the highest bid by submission of sealed binding offers for the separate purchase by public auction (the Auction) of the following group of assets of the Company.

BRIEF INFORMATION:
The company was established in 1973 and was in operation until 1990 when it was declared under liquidation. Its activities included the production, and trading of every type of fibres and textiles. The company is not in operation, neither is any personnel being employed.

GROUP OF ASSETS OFFERED FOR SALE:
1. Plant in Avlaki Fthiotida (along Lamia-Volos National Road), consisting of buildings of 23,296 m², standing on a plot of 190,718 m² and containing machinery, mechanical equipment, furniture and other equipment. The company's registered name, etc. are also being offered for sale.

OFFERING MEMORANDUM - FURTHER INFORMATION:
Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offeror shall give a personal guarantee in favour of such third party.
2. **Binding Offers:** Interested parties are hereby invited to submit binding offers, not later than the 24th August 1993, at 11.00 a.m. hours, to the Athens Notary Public Mr Evangelos Drakopoulos, acting as substitute for the Athens Notary Public Mrs Anna Tsafara, at his office in Athens, 19 Voukourestiou Street, 2nd Floor, tel. +30-1-361.57.32., +30-1-362.11.28.
Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of not specifying a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate in force (presently 31% yearly). Binding offers submitted later than the prescribed time limit, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. **Letters of Guarantee:** Binding offers must be accompanied by Letters of Guarantee, issued, in accordance with the draft Letter of Guarantee contained in the respective Offering Memoranda, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be drs. 350,000,000 (THREE HUNDRED AND FIFTY MILLION).
Letters of Guarantee shall be returned after the adjudication. In event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
4. **Submissions:** Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 24th August 1993, at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

To obtain the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skouleniou Street, 105 61 Athens Greece, tel.: +30-1-323.14.84, fax:+30-1-321.79.05 (attention Mrs. Marika Frangaki).

REPUBLIC NEW YORK CORPORATION
SAFRA REPUBLIC HOLDINGS S.A.

Consolidated Statements of Condition and Summaries of Results

These statements and summaries represent the consolidated accounts of Republic New York Corporation and its wholly owned subsidiaries and of Safra Republic Holdings S.A. and its wholly owned subsidiaries. Republic New York Corporation owns 48.9% of Safra Republic Holdings S.A., which is accounted for by the equity method.

	REPUBLIC NEW YORK CORPORATION June 30,		SAFRA REPUBLIC HOLDINGS S.A. June 30,	
	1993	1992	1993	1992
	(in thousands of US$ except per share data)			
Assets				
Cash and due from banks	$ 482,556	$ 413,303	$ 51,569	$ 62,504
Interest bearing deposits with banks	6,985,934	9,907,773	3,551,035	3,289,263
Precious metals	659,974	382,444	158	1,348
Investment securities	13,566,188	10,990,694	5,588,801	4,735,159
Trading account securities	732,958	648,816	78,713	20,575
Federal funds sold and securities purchased under resale agreements	2,128,370	244,109	–	–
Loans, net of unearned income	8,211,837	8,146,189	1,180,643	1,220,078
Allowance for possible loan losses	(256,700)	(235,205)	(63,202)	(41,294)
Loans (net)	7,955,137	7,910,984	1,117,441	1,178,784
Other assets	3,693,827	2,851,748	301,764	276,067
Total assets	$36,204,944	$33,349,871	$10,689,481	$9,563,700
Liabilities				
Total deposits	$21,891,785	$20,359,842	$ 6,831,829	$6,792,681
Short term borrowings	3,522,882	3,884,210	1,973,414	935,561
Other liabilities	3,978,674	2,924,475	254,665	180,061
Long term debt	2,314,967	2,453,909	500,000	547,600
Subordinated long-term debt and perpetual capital notes	2,130,874	1,534,298	–	–
Shareholders' Equity				
Cumulative preferred stock	556,425	556,925	–	–
Common stock and surplus, net of treasury shares	714,387	709,446	902,007	902,219
Retained earnings	1,094,950	926,766	227,566	205,578
Total shareholders' equity	2,365,762	2,193,137	1,129,573	1,107,797
Total liabilities and shareholders' equity	$36,204,944	$33,349,871	$10,689,481	$9,563,700
Book value per share	$ 34.39	$ 31.27	$ 63.82	$ 62.58
Client portfolio assets in custody			4,312,343	2,819,972
Net income, for the six months ended	$ 143,673	$ 124,303	$ 54,885	$ 45,575
Net income per common share (primary)	$ 2.48	$ 2.12	$ 3.10	$ 2.57
Average common shares outstanding (primary)	52,267	52,069	17,701	17,717

Risk-Based Capital Ratios

As of June 30, 1993 Republic New York Corporation's risk-based core capital ratio was 17.18% (estimated) and total qualifying capital ratio was 29.60% (estimated.) The ratios include the assets and capital of Safra Republic Holdings S.A. on a consolidated basis (in excess of $40 billion in total assets and $4 billion total capital) risk-weighted in accordance with the requirements of the Federal Reserve Board specifically applied to Republic New York Corporation.

Republic New York Corporation
Fifth Avenue at 40th Street
New York, New York 10018

Safra Republic Holdings S.A.
32, boulevard Royal
2449 Luxembourg

Banking Locations
Geneva, Gibraltar, Guernsey, London, Lugano, Luxembourg, Milan, Monte Carlo, Paris, Zurich, Beverly Hills, Cayman Islands, Los Angeles, Mexico City, Miami, Montreal, Nassau, New York, Buenos Aires, Caracas, Montevideo, Punta del Este, Rio de Janeiro, Santiago, Beirut, Beijing, Hong Kong, Jakarta, Singapore, Taipei, Tokyo

US tyre sales help Goodyear to $137m profit

By Patrick Harverson in New York

GOODYEAR Tire & Rubber unveiled second-quarter profits yesterday of $137.6m, the second best result in the company's history. It was boosted by lower expenses, increased US tyre sales and improved earnings from its Brazil operations. In the same quarter a year ago, Goodyear earned $106.9m.

The latest quarter included two exceptional items: a $14.6m charge to cover the early retirement of $290m in debt, and a gain of $7.9m from an asset sale.

The strong second-quarter results suggest Goodyear has continued to gain market share against its main European and Japanese rivals, Michelin, Continental and Bridgestone/Firestone, despite a generally weak tyre market.

Although Goodyear's total worldwide sales of $3bn in the second quarter were down slightly from $3.1bn in 1992, the company said sales were actually up 1.5 per cent if last year's contribution from the now-divested films and polyester resin businesses is excluded.

Goodyear, the only surviving large US-owned tyre group, attributed its higher earnings to several factors, among them an improvement in margins in the US, higher margins in Brazil following price increases and production efficiencies and lower selling, administrative and general expenses (both in total dollars and as a percentage of sales). It also benefited from lower interest expense and tax rates.

Mr Stanley Gault, chairman, said: "Worldwide tyre unit sales were up 2.3 per cent in the quarter and 5.4 per cent in the half, led by gains in the US market."

The results had little impact on Goodyear's share price, primarily because the company warned the market of its improved performance late last month. Just before midday Goodyear shares were up $¼ at $43¾ on the New York Stock Exchange.

Asarco turns in shortfall after production setbacks

By Laurie Morse in Chicago

ASARCO, the US integrated copper producer, lost $24.1m, or 58 cents per share, in the second quarter after production problems at its recently-expanded Arizona mines and processing plants led to a fall in output.

The company also continued to be hit by declining base metals prices.

Asarco earned $4.4m, or 58 cents per share, in the second quarter of 1992. Sales were $416.6m, against $487.7m last year.

For the six months to June 30, Asarco reported a loss of $55m, or $1.32, down from $10.8m, or $1.30 per share. Sales for the first half were $875.6m, down from $946.6m last year.

During the quarter the company's average realised price for copper fell 18 cents from a year-ago to 85 cents per pound, with lead and zinc prices also lower. Its average realised price for silver rose 10 cents to $4.21 per ounce, and for gold, $10.45 to $374.39 per ounce.

In addition to lower prices, Mr Richard Osborne, chairman, said earnings were hit by the shutdown of the Company's Troy silver/copper mine in Montana and higher costs and lower production rates at its Arizona copper properties.

He said rains which flooded the Ray mine in the first quarter continue to dilute the solutions from which copper is extracted, reducing second-quarter copper cathode production by 3m pounds.

He said low ore grades reduced production at Asarco's Mission mine by 2m pounds in the quarter, and that start-up disruptions at the new smelter at its El Paso mine raised costs and trimmed output.

● WEAK base metal prices pushed Cominco into losses for the second quarter and first half of 1992, writes **Robert Gibbens** in Montreal.

The average LME prices for zinc, lead, nickel and copper were off sharply in the second quarter from a year earlier and were also lower than in the first quarter of this year. The company said further efforts were being made to reduce operating costs.

The second-quarter loss was C$16.3m (US$12.7m), or 22 cents a share, including a C$31.6m gain on the spin-off of Cominco Fertilisers. This compared with profit of C$18.1m, or 22 cents, a year earlier. Sales fell to C$225m from C$416m. The first half loss was C$53.1m or 69 cents, compared with profit of C$13.2m, or 15 cents, on sales of C$517m, against C$746m.

Second-quarter mining and metals sales were off 24 per cent due to lower prices and also the temporary shutdown of the Trail lead smelter.

Tenneco doubles operating result

By Martin Dickson in New York

TENNECO, the US conglomerate which has been extensively restructuring, yesterday reported more than doubled second-quarter earnings from continuing operations, but net income fell 28 per cent compared to the same period of 1992.

The figures were towards the low end of analysts' expectations, and Tenneco shares fell $1½ to $49 in early trading on the New York Stock Exchange.

Income from continuing operations totalled $111m, or 63 cents a share, against $50m, or 32 cents, in the same period of last year, on sales of $3.48bn, compared with $3.43bn.

Net income totalled $88m, or 50 cents, after a $23m, or 13 cents, extraordinary loss. That was down from $123m, or 84 cents, in the same period last year, while operating income was slightly ahead at $303m, compared with $296m.

The group's J I Case agricultural and construction equipment unit, which has been struggling for several years, reported operating income of $59m, up $48m from the same period of last year, while revenues dipped slightly to $1.1bn.

The company attributed the improvement to "better margins as a result of a richer product mix, Case's value-based pricing strategy, strong manufacturing performance and operating cost reductions."

Tenneco Gas, its pipeline company, had operating income of $76m, up from $73m. Tenneco Automotive made $74m, up $1m from a year ago. Newport News Shipbuilding made $53m, down from $67m due to the 1992 deliveries of two submarines and a carrier.

For the six months, Tenneco reported net income of $162m, or 96 cents, against a loss of $543m, or $3.87, after accounting changes in the same period of last year.

Reichmanns end up with control of O&Y unit

THE REICHMANN family has ended up controlling O&Y Properties, a Toronto property management and leasing company that survived the collapse of their Olympia & York Developments, writes **Robert Gibbens**.

The Reichmanns lost control of O&Y Developments early this year when it was restructured and taken over by creditors.

The management and leasing operation was spun off into O&Y Properties.

Mr Philip Reichmann, Albert Reichmann's 35-year-old son, and Frank Hauer, his 34-year-old son-in-law are buying 90 per cent of O&Y Properties from the O&Y Developments administrator. The remaining 10 per cent was already held by the family.

Shares slide after Data General falls deeper in red

By Patrick Harverson

SHARES in Data General fell yesterday after the US minicomputer manufacturer announced it had fallen further into the red during its third quarter.

The company lost $16.4m, or 47 cents a share, between April and June, against a $11.7m loss in the same period of 1992 and a $7.6m loss in the first three months of this year.

The latest losses were more than twice as large as analysts had expected, pushing Data General shares $½ lower to $8⅞ before the close on the New York Stock Exchange.

Mr Ronald Skates, president and chief executive, blamed "the weak worldwide economy, particularly in the European marketplace, and industry-wide competitive pricing pressures" for the poor results.

Overall revenues during the quarter totalled $252.4m, down from $259.2m, although the decline was entirely due to the negative impact of changes in foreign exchange rates.

Revenues from traditional proprietary minicomputer products continued to decline. The company, however, is shifting away from proprietary products to open systems based upon industry standards. But once again, strong sales of its open systems products failed to stem the losses.

USX-US Steel unveils second quarter deficit

By Karen Zagor in New York

USX-US Steel, the Pittsburgh-based steel unit of USX, yesterday reported a second-quarter net loss of $333m, or $5.66 cents a share. This included an after-tax charge of $403m related to anti-trust litigation against its former railroad subsidiary, the Bessemer and Lake Erie Railroad.

A year earlier, the company had restated net income of $2m, or 3 cents a share.

Stripping out the one-time charge, the company said operating income rose to $56m in the latest quarter from a restated $34m a year earlier.

Mr Charles Corry, chairman of USX Corporation, the consolidated parent company, attributed the improved performance of its steel group to firmer industry conditions.

During the 1993 quarter, steel shipments were at their highest level since the 1990 fourth quarter.

Sales in the quarter rose to $1.43bn from $1.27bn.

For the six months, the steel group had a net loss of $320m, or $5.49, against a deficit of $1.35bn, or $26.03. The 1992 figures have been restated to include the adoption of two new accounting standards. Sales rose to $2.64bn from $2.43bn.

USX's Delhi Group, the company's gas business, turned in better-than-expected second-quarter earnings of $2.1m, or 15 cents, against $9m, or 5 cents, a year ago.

USX-Marathon Group, the oil business, posted second-quarter net income of $21m, or 63 cents, down from $181m, or 63 cents, a year earlier.

LTV wins appeal court ruling on anti-trust suit

LTV, the US steel group which last month emerged from Chapter 11 bankruptcy protection, yesterday said a US appeals court had ruled in its favour, upholding a lower court ruling in an anti-trust lawsuit against USX's former Bessemer and Lake Erie Railroad unit, writes **Karen Zagor**.

The net value of the judgment, including interest to date but excluding fees and costs, is estimated at $485m. Under LTV's confirmed reorganisation plan, all proceeds for the litigation will be contributed to the restored steel pension plans.

The award stems from a 1982 lawsuit against the USX unit which charged that a number of railroads had monopolised dock handling and inland transportation of iron ore to steel mills for nearly 30 years. B&LE is the last railroad to settle.

B&LE has 90 days to petition the supreme court to review the appeal court ruling. In June, USX said its US Steel unit had taken second-quarter pre-tax reserves of more than $400m to cover damages in the case.

INTERNATIONAL COMPANIES AND FINANCE

State sell-off gives Viag energy to expand

Bavaria's Bayernwerk stake sale appears to favour the buyer, writes Judy Dempsey

THE decision last weekend by the German state of Bavaria to sell its majority stake in Bayernwerk, the country's third-largest utility, to the Viag energy-based conglomerate, finally cements the close relationship between the two companies.

Until now, Viag has held 39 per cent of Bayernwerk, and Bayernwerk, a 24.9 per cent stake in Viag. As part of the Bavarian government's privatisation plans, it will now swap its stake in Bayernwerk for a 25.1 per cent stake in Viag, plus DM1bn ($585m). Viag will move its headquarters from Bonn to Munich.

The merger appears to favour Viag, which has been trying to obtain the Bayernwerk stake for some time. It ends, for instance, the the cross-share structure which created some uncertainty in the markets. When the announcement was made last Friday, Viag's shares climbed more than 1 per cent, by DM6 to DM392.50.

It also gives Viag access to Bayernwerk's energy base. Until now Viag's energy division depended on Bayernwerk supplies for as much as 60 per cent of needs. This ratio is expected to rise to 80 per cent once the merger is completed.

Viag could also use the merger to expand its energy base into eastern Germany. Bayernwerk, along with the country's two largest utilities, RWE Energie, and PreussenElektra, the 100 per cent-owned electricity division of Veba, the country's other large energy-based conglomerate, are already investing heavily in power generation in eastern Germany.

These three utilities monopolise Veag, eastern Germany's biggest utility, which controls the high-voltage grid in the region. Along with the country's smaller five utilities, they are now bidding for Veag, which is being sold by the Treuhand, the agency charged with restructuring and privatising eastern German industry.

They are also engaged in buying out their 51 per cent stakes in eastern Germany's 15 regional utilities, which the Treuhand is privatising.

The deal with Bayernwerk gives Viag the potential to compete with RWE Energie and Veba, one analyst said. However, he added that the close, consensual relationship among Germany's utilities "does not encourage competition".

It depends on what Mr Jochen Holzer, chairman of Viag and Bayernwerk, chooses to do with the acquisition, he said. Mr Alfred Pfeiffer, Viag's management board chairman, said Bayernwerk would be responsible for all energy-related activities, and Viag would run the other sectors.

News of the merger comes at a time when Viag's aluminium and steel divisions are at a cyclical low. Last year, Viag's turnover was DM24.3bn, and Bayernwerk's, DM6.64bn.

However, some analysts question why Viag is planning to raise its nominal capital by one-third instead of paying cash for Bayernwerk. Viag has cash of more than DM2.92bn on its balance sheet, and debt and loans totalling DM3.56bn. Bayernwerk has cash on its balance sheet of over DM2.5bn, and debt of only DM400m.

Bayernwerk and the state of Bavaria will reap some benefits from this merger. The utilities company will have access to a more diverse conglomerate, and the merger will effectively remove Bayernwerk from the state sector.

Through this first large-scale privatisation, Mr Edmund Stoiber, Bavaria's prime minister, has confirmed his determination to press ahead with unshackling Bavarian business. Further privatisations of between DM2bn and DM3bn are expected.

In doing so, he hopes to attract to Bavaria diverse and large conglomerates, such as Viag, and use them to restructure the state's industrial base.

Local steelmaker next on the block

BAVARIA is to sell its 45 per cent stake in the lossmaking Maxhütte, a local steel manufacturer. Finance ministry officials said negotiations with two prospective buyers were under way, writes Ariane Genillard in Bonn.

The Bavarian government hopes to sell its stake by next January.

Potential buyers include Mr Max Aicher, chairman of the board at Maxhütte and owner of a steel and construction enterprise bearing his name.

The other potential buyer is Mr Manfred Kühnlein, manager of a pipe manufacturing company in Nüremberg. Mr Kühnlein has plans to turn the steelworks into a recycling plant for cars.

Maxhütte was saved from bankruptcy in 1987 when Klöckner, the German steelmaker, sold it to the Bavarian state. Other German steelmakers, including Thyssen and Krupp, also took shares in the company, which produces 316,000 tonnes of rails, pipelines and steel rods per year.

Maxhütte made a DM15m ($8.77m) loss in 1992 on sales of DM350m. It has 1,700 employees, down from the 4,000 who worked there before the bankruptcy proceedings.

Company officials said Thyssen and Krupp had expressed a willingness to sell their stakes.

Statoil up slightly despite low crude prices

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, yesterday reported a slight increase in first-half net profit in the opening half of 1993, against a background of difficult market conditions.

Net profits were NKr1.9bn ($259m), against NKr1.8bn a year ago. The group has had to battle against lower average oil prices, a fall in equity crude oil production, and a NKr200m charge against accounts.

Statoil warned of a lower second-half operating profit on the basis of current crude oil prices, and a continued fall in crude production from the giant Statfjord field.

First-half operating profit fell to NKr6.6bn from NKr7bn on revenues of NKr42.6bn, against NKr40.4bn. Statoil said Brent blend reference crude averaged $18.22 per barrel in the first half, down from $19 last year, as equity crude production slipped to 75m barrels from 78m.

"The start of the second half-year has been characterised by declining oil prices and considerable uncertainty about price development for crude oil, refined oil products and petrochemicals," Statoil said.

Helped by a stronger dollar-krone exchange rate and a NKr311m reduction in costs, to NKr8.49bn, exploration and production was the main reason for the improvement in first-half operating profit, to NKr5bn from NKr4.8bn.

In the natural gas division, operating profit fell to NKr1.6bn from NKr2bn due to lower revenue from gas transport as volumes fell and tariff prices were adjusted.

In refining and marketing, operating profit dipped to NKr472m from NKr476m against tougher marketing competition but with improved refining margins.

Strong domestic sales help AECI to 22% rise

By Philip Gawith in Johannesburg

AECI, South Africa's largest chemicals group in which Imperial Chemical Industries of the UK has a 38 per cent stake, reports a 22 per cent increase in earnings per share for the six months to June.

Turnover rose 6 per cent to R2.69bn ($770m), with domestic sales up 9 per cent and export revenues falling 14 per cent. Restructuring allowed margins to be broadly maintained, and net trading profit was 9 per cent higher at R162m.

Net profit, before R14m in extraordinary income from a change in the tax rate, was R61m, against R50m. Earnings per share rose to 39 cents from 32 cents. The dividend is being maintained at 18 cents.

Discussions are under way with ICI "with a view to strengthening the linkage between AECI and ICI in businesses where AECI has a global market position". The outcome of these talks will be announced by the end of the third quarter.

AECI expects its earnings growth, before abnormal items, to be maintained in the current six months, provided the political situation does not deteriorate further and the agricultural sector enjoys reasonable summer rains.

Advance Bank ahead 25% to A$56m for year

By Bruce Jacques in Sydney

ADVANCE BANK, the Australian bank, reports a 25 per cent earnings gain to A$55.9m (US$38m) for the year ended May. The dividend is going up from 38 cents to 50 cents a share.

Bad and doubtful debt expense was reduced from A$36m to A$27.5m, and net non-performing loans fell from A$116.0m to A$83.2m. Gross assets grew from A$8bn to A$9.2bn.

Mr Jim Service, chairman, described the result as pleasing in difficult and competitive conditions.

Japan Tobacco seeks SE listing ahead of flotation

By Emiko Terazono in Tokyo

JAPAN Tobacco, the government-owned tobacco group, has applied for listing on the Tokyo stock exchange ahead of a partial flotation scheduled for early next year.

Japan Tobacco was due to be floated last year, along with East Japan Rail. The issues were postponed following a period of prolonged weakness for the Tokyo stock market.

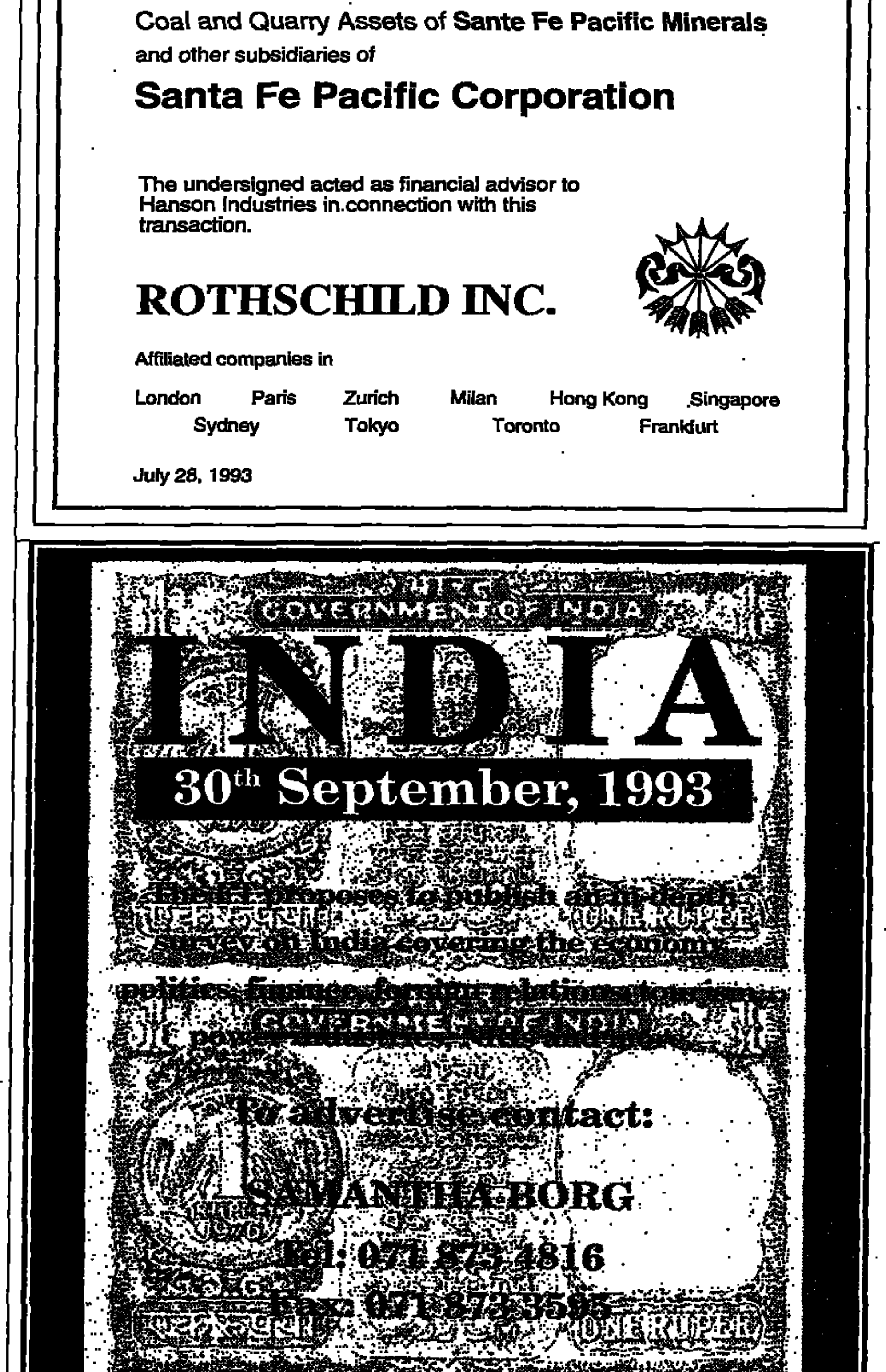
Japan Tobacco controls 83 per cent of the Y3,000bn ($28bn) domestic tobacco market. For the year to March, its pre-tax profits dipped 11.1 per cent to Y100.4bn on sales little changed at Y2,761.7bn.

Mr Shigeru Mizuno, president of Japan Tobacco, said the company was looking to expand its exports and to diversify.

In the initial listing, 33 per cent of the company's outstanding shares will be offered. Ahead of the listing, one-third of the tranche will be auctioned as a means of making an orderly secondary market.

Mr Yoshiro Hayashi, finance minister, said the ministry would monitor developments on the stock market following JT's listing application. He denied the government was about to sell its remaining shares in Nippon Telephone and Telegraph.

CONTRACTS & TENDERS



INTERNATIONAL CAPITAL MARKETS

Dealers on sidelines ahead of Bundesbank meeting

By Peter John in London and Patrick Harverson in New York

EUROPEAN government bond markets went on hold yesterday following the recent exchange rate mechanism battle.

Dealers were keeping their powder dry ahead of today's Bundesbank repurchase agreement announcement and, more significantly, the key central Bank council meeting tomorrow.

GOVERNMENT BONDS

The announcement that the German inflation rate had only risen by 0.1 per cent left markets looking puzzled. Some economists pointed out that with three of the four west German regions announcing an increase of 0.2 per cent in the cost of living and the fourth announcing a 0.1 per cent rise, the overall number was hard to swallow.

Bund futures prices, which would normally have risen on the back of a figure that was slightly more deflationary than expected, slipped back to close 10 pfennigs down at 96.18.

Meanwhile, the Bundesbank said that today's repo would be variable and the market was looking for a cut of about 10 basis points to 7.05 per cent as a precursor to reductions in the official discount and Lombard rates tomorrow.

■ UK DEBT prices were softer along the yield curve and took no heart from the latest CBI survey which painted a picture that under normal circumstances the gilts market would have warmly welcomed.

The Confederation of British Industry's quarterly industrial survey argued that the strength of sterling and low business confidence should make the government think about a cut in interest rates. That would be expected to help short-dated gilts which respond to interest rate cuts.

The survey found that the balance of companies showing optimism about the economic outlook fell to 11 per cent from 31 per cent in April and it expected manufacturing jobs to fall by 40,000 in the third quarter.

Those views would normally have helped long-dated maturities, which thrive in a climate of low inflationary pressures.

Nevertheless, sterling retraced Monday's upward move and traders were holding back ahead of today's £3.25bn gilts auction, which has generated some nervousness because analysts have said the eight-year maturity is too long-dated to appeal to banks and building societies and too short-dated to attract overseas buyers.

■ FRENCH paper was steady as the market awaited the Bundesbank repo for indications about the prospect and size of an official German rate cut tomorrow and the recent speculative attacks faded away.

French call money shot up to an offered rate of 11 per cent by mid-afternoon, although analysts said the rate might be artificially high as call money was mostly traded in the morning.

Short-dated maturities were marginally firmer on hopes of further monetary easing.

The 10-year OAT futures contract for September eased 4 centimes to 120.20, slightly nervous ahead of key unemployment figures on Friday which are expected to show a rise to about 11.6 per cent from 11.5 per cent.

■ SPANISH government bonds gained slightly as further falls for the peseta against the D-Mark fuelled hopes that the currency would have to be floated, allowing rates to be cut.

The peseta was hit by unconfirmed rumours that unemployment in the second quarter was above 22 per cent against 21.7 per cent in the first quarter.

Unemployment figures are due this week and some economists expect the rate to have risen to at least 23 per cent.

■ PORTUGUESE bonds rose slightly on hopes that money rates would ease and on expectations that the Bundesbank would cut key rates on Thursday.

The Bank of Portugal auctioned Es9bn of eight-day certificates at an average rate of 13.5 per cent to absorb money market liquidity.

■ TRADING was subdued on US Treasury markets yesterday morning, with prices slightly lower across the board, as dealers and investors looked ahead to the afternoon auction of new government securities.

By midday, the benchmark 30-year government bond was down $\frac{1}{32}$ at $105\frac{11}{32}$, yielding 6.679 per cent.

At the short end of the market, the two-year note was slightly weaker, down $\frac{1}{32}$ at $99\frac{27}{32}$, to yield 4.192 per cent.

Prices remained in a narrow trading range just below opening values throughout the morning. Attention was firmly focused on the afternoon sale of $16bn two-year notes, the market's first big auction in more than a month.

Although dealers expected the auction to go well, there was some cautious position-lightening ahead of the sale, which contributed to the early declines.

The day's main economic news – a small drop in the July Conference Board consumer confidence index – was bullish for bonds, but it failed to stimulate any buying interest.

FT FIXED INTEREST INDICES

	July 27	July 26	July 23	July 22	July 21	Year ago	High *	Low *
Govt Secs (UK)	97.94	98.16	97.98	97.97	98.03	89.12	98.48	93.28
Fixed Interest	117.34	117.20	117.02	117.11	117.18	105.83	117.34	108.87

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 117.34 (27/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 26	July 23	July 22	July 21	July 20
Gilt Edged Bargains	103.8	89.1	100.0	105.0	95.2
5-Day average	98.6	98.1	101.3	108.0	109.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	116.8179	-0.004	7.13	7.08	7.58
BELGIUM		9.000	03/03	112.7300	+0.150	7.12	7.01	7.07
CANADA *		7.500	12/03	101.4270	+0.330	7.30	7.11	7.33
DENMARK		8.000	05/03	105.8000	+0.100	7.15	7.10	6.86
FRANCE	BTAN	8.000	05/98	107.0242	+0.038	6.24	6.16	6.09
	OAT	8.500	04/03	111.8400	+0.040	6.79	6.72	6.70
GERMANY		6.750	04/03	101.5000	-0.190	6.53	6.52	6.63
ITALY		11.500	03/03	104.2500	-0.015	11.06†	11.00	11.48
JAPAN	No 119	4.900	06/99	104.0679	-0.002	3.95	4.01	4.22
	No 145	5.500	03/02	108.2478	-0.036	4.20	4.25	4.38
NETHERLANDS		7.000	02/03	104.4000	-0.190	6.36	6.33	6.42
SPAIN		10.300	06/02	100.0330	+0.055	10.28	10.23	10.15
UK GILTS		7.250	03/98	101-29	-2/32	6.76	6.71	6.68
		8.000	06/03	103-07	-11/32	7.53	7.42	7.65
		9.000	10/08	109-22	-10/32	7.88	7.82	8.00
US TREASURY *		6.250	02/03	102-14	+4/32	5.91	5.73	5.79
		7.125	02/23	105-19	+4/32	6.69	6.58	6.68
ECU (French Govt)		8.000	04/03	104.9900	+0.070	7.26	7.24	7.07

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

ERM worries stimulate interest in Euroyen issues

By Tracy Corrigan

FOUR new Euroyen issues were launched yesterday as investors steered clear of European bond markets due to worries about the fate of the exchange rate mechanism.

Three of the four issues were straight bond issues, bringing the volume of fixed-rate debt in the sector to Y110bn so far this week.

INTERNATIONAL BONDS

Most of the paper was targeted at investors in Japan or south-east Asia, but some dealers noted a pick-up in interest among European investors.

Mitsubishi Corporation Finance launched a Y20bn three-year deal which met demand in both Europe and Asia Pacific, according to lead manager Merrill Lynch. Tokyu Land issued Y30bn of four-year bonds via Yamaichi International, which were pre-placed in Asia Pacific, while Nikko's Y30bn offering for China International Trust and Investment Corporation (Citic) was targeted at investors in south-east Asia, who understand the credit, according to the lead manager. The mandate for the deal was awarded several weeks ago, and sold out prior to its official launch.

Elsewhere, the State Bank of South Australia launched an A$100m issue of 6¾ per cent bonds due 1998 via Hambros Bank. Volume in the sector has been low recently, partly as a result of a fall in the number of maturing deals providing reinvestment flows, which will drop further next month.

The deal was offered at a spread of 31 basis points over the comparable government bonds yield, but tightened to 29 basis points.

The Mortgage Bank of Denmark launched a large Dkr750m five-year deal via Morgan Stanley. At the end of trading, the deal was quoted at 99.80, above its fixed re-offer price of 99.67.

In the Swiss market, three Japanese companies launched equity-linked deals totalling Sfr350m.

● Nationwide Building Society and National & Provincial Building Society have had their senior long-term debt ratings lowered by Moody's, the US credit rating agency.

The UK's second and eighth largest building societies both had their senior debt ratings lowered to A1 from Aa3, while their subordinated debt ratings dropped to A3 from A2. Both had their Prime-1 commercial paper ratings confirmed.

"Nationwide continues to experience significant asset quality problems in its residential mortgage portfolio, reflecting its earlier lending practices as well as the society's exposure to southern England, where the decline in property values has been sharpest," Moody's said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
YEN							
Tokyu Land Corp.	30bn	4.6	100R	Aug.1997	0.3R	-	Yamaichi Intl.(Europe)
CITIC	30bn	4.125	99.97R	Mar.1996	0.2R	-	Nikko Europe
Mitsubishi Corp. Finance	20bn	4	100.5R	Dec.1996	0.225R	-	Merrill Lynch Intl.
Olympic Sports Co.(a)§	5bn	1.75#	100	Sep.1997	2.5	-	Nomura International
AUSTRALIAN DOLLARS							
State Bank of South Australia	100	6.75	100.75	Sep.1998	2	-	Hambros Bank
DANISH KRONER							
Mortgage Bank of Denmark	750	6.75	99.67R	Sep.1998	0.25R	-	Morgan Stanley Intl.
SWISS FRANCS							
Daido Hoxan(b)φ	200	1	100	Aug.1997	-	-	Credit Suisse
Hokkaido Gas Co.(c)φ	100	1.125	100	Aug.1997	1.625	-	Yamaichi Bank (Switz.)
Kato Denki Co.(c,d)*§	50	1#	100	Sep.1997	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. φWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 3/8/93. Callable, subject to 150% rule, on 1/4/94 at 102½% falling ½% semi-annually. b) Fixing: 29/7/93. Callable on 12/8/95 at 101½% falling ½% annually. c) Fixing: 2/8/93. d) Callable, subject to 150% rule, on 30/3/94 at 101¾% falling ¼% semi-annually. Callable on 30/9/95 at 102% falling ½% semi-annually.

Return of Indian companies wins investor plaudits

By Sara Webb

INDIA has already won the sobriquet of "jewel" in the emerging markets portfolio, as the international investor community has followed the Indian government's economic liberalisation programme with interest.

Two Indian companies have turned to the international capital market with equity or equity-linked offerings recently, breaking a dry spell of several months. Market specialists attribute the absence of Indian international equity offerings since December to several factors: primarily on the widespread disappointment over earlier international equity issues, as well as concern over the political situation, and in particular the religious riots which left hundreds dead.

INTERNATIONAL EQUITIES

Investor response to the latest offerings appears positive. Hindalco Industries, an aluminium producer, launched a successful $72m issue of Global Depositary Receipts (GDRs), with each GDR representing one equity share and one half warrant. It marks the first time that an Indian company has done a US dollar warrant deal, and the combined GDR-warrant unit was trading at an equivalent premium of 16.3 per cent to the launch price yesterday.

Meanwhile, Essar Gujarat, the Indian iron company, is launching the first Indian Eurodollar convertible bond, and hopes to raise $60m with a five-year convertible issue which will be priced next week. The indicated coupon is 5.5 to 6 per cent, and there is a three-year put option at par so that if the share price does not pick up investors get their money back.

Some international investors said they liked the downside protection offered by a convertible bond structure. Those who participated in last year's international equity offerings by Indian companies – Reliance Industries and Grasim – were disappointed to see the share price of those two companies languish after the international offering.

If these two deals are seen to be well-managed and successful, investment bankers claim it should go some way to restoring investor confidence in the Indian market.

Investor interest has been stimulated in the last couple of years by the government's economic restructuring and liberalisation programme.

"It's a huge economy, the economic fundamentals are improving, and there are some large well-managed companies; furthermore, the stock market is well-developed, and it's not like China where everything is controlled," said one fund manager.

Against the relatively rosy economic picture, international investors point out that price-earnings ratios of around 20 do not compare favourably with other Asian markets. "Multiples of around 20 mean it is very expensive, but there are still some attractive companies," said one emerging markets fund manager.

Of more concern is the political background and religious violence. "[Prime minister] Rao has gone faster than most people thought he would, but not as fast as they would have liked," said one fund manager. His main concern is that the economic reforms could slow down once the implications of privatisation and tougher international competition are more fully appreciated.

"The religious violence does make investors nervous," says one fund manager, "Most people are trying to forget about massacres and are looking at the economy instead."

The occasional closure of the stock market – whether as a result of violence or financial skulduggery – is also an irritation in the view of international investors, though most admit that, compared with other Third World or developing countries, India's stock market is "relatively well-developed".

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9¼ 94	200	104¾	105¼		4.23
AlbertaProvince 9⅜ 95	600	109½	109⅞		4.80
Austria 8½ 00	400	113½	113⅞		5.92
Bank of Tokyo 8⅜ 96	100	107⅝	108¼	+⅛	5.23
Belgium 9⅝ 98	250	116⅝	117⅛		5.63
BFCE 7¼ 97	150	107⅞	108⅝		5.28
BNP 8⅝ 94	300	104⅝	105		3.29
British Gas 0 21	1500	11⅝	12	-⅛	7.91
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.50
Genfinance Lux 9⅛ 99 LFr	1000	108⅝	110½		7.27
World Bank 8 96 LFr	1000	102	103		7.15
Bank Voor Ned Gem 7⅝ 02 Fl	1000	105⅛	105⅝		6.82
Energie Beheer 8¾ 98 Fl	500	110¼	110¾		6.39
AlbertaProvince 10⅞ 96 C$	500	109⅜	109⅞	+⅛	6.48
Bell Canada 10⅞ 99 C$	150	112⅞	113	+⅛	7.94
British Columbia 10 96 C$	500	108⅞	109¼	+⅛	6.52
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

SWISS FRANC STRAIGHTS [illegible]

CONVERTIBLE BONDS [illegible]

YEN STRAIGHTS [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate [illegible]. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	46	21
Other Fixed Interest	1	11	3
Commercial, Industrial	359	177	877
Financial & Property	285	48	470
Oil & Gas	27	9	47
Plantations	1	0	7
Mines	75	5	55
Others	62	27	48
Totals	822	323	1,528

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	107	78	Amagen	86	+5	-	-	-	-
338	F.P.	-	358	356	Baring Chrysalis C	358		-	-	-	-
$10	F.P.	-	679	679	Baring Emrg Mkts	679		-	-	-	-
†150	P.P.	-	176½	150	British Telecom (P/Paid)	174	+1½	N15.6	1.4	4.5	20.5
120	F.P.	-	148	131	Business Post	143		L2.9	2.5	2.5	20.0
148	F.P.	-	173	148	Carpetright	173	+3	W3.89	1.7	2.8	25.4
100	F.P.	-	117	99	Celsis Intl.	101	-1	-	-	-	-
225	F.P.	-	210	184	Court Cavendish	197		W3.6	2.8	2.3	13.3
-	F.P.	-	16½	7	Creston Warrants	7		-	-	-	-
170	F.P.	-	200	191	Devro Intl	194		W5.6	1.9	3.5	18.4
-	F.P.	-	100	97	Eaglet Inv Trust	98	+1	-	-	-	-
-	F.P.	-	39	33	Do Warrants	39	+4	-	-	-	-
110	F.P.	-	120	113	Enviromed	115		-	-	-	49.4
-	F.P.	-	20	11	Eurotunnel Wts 1993	19½	+1½	-	-	-	-
250	F.P.	-	290	278	Field Group	288	-1	WM8.4	2.0	2.8	22.7
210	F.P.	-	261	233	Fine Decor	261		u7.5	1.7	3.6	20.0
-	F.P.	-	149	149	Finsbury Smllr. Co's. C	149		-	-	-	-
-	F.P.	-	102	94	Govett Emrg Mkts	102	+1	-	-	-	-
-	F.P.	-	52	44	Do Warrants	46		-	-	-	-
100	F.P.	-	106	100	Johnson Fry Utilities	106	+1	M7.2	-	8.6	-
-	F.P.	-	102½	101	Do Zero Pf	101¾	-½				
-	F.P.	-	265	260	Kerry Grp A	265		Q30.1%	7.9	1.2	14.5
100	F.P.	-	97	94	Kleinwort Emrg Mkts	97		-	-	-	-
-	F.P.	-	61	55	Do Warrants	59		-	-	-	-
108	F.P.	-	137	126	Molecular Inds	128	+1	W3.24	2.2	3.2	17.8
100	F.P.	-	98	93½	Perpetual Japan Inv	98	+1	-	-	-	-
-	F.P.	-	47	37	Do Warrants	45		-	-	-	-
130	F.P.	-	148	140	Policy Portfolio	145		u6.0	1.8	5.2	14.7
123	F.P.	-	130	127	Quadramatic	129		NM4.5	2.2	4.4	13.3
-	F.P.	-	106½	103	Riv & Merc Ext Zero Pf	106½		-	-	-	-
-	F.P.	-	102	101	Second HGSC	101		-	-	-	-
-	F.P.	-	805	785	Sphere Inv Units	805		-	-	-	-
-	F.P.	-	53	25	Suter Warrants	49		-	-	-	-

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
123	Nil	27/8	38pm	33pm	ACT	37pm	+2
60	Nil	6/8	3pm	½pm	Alexon	¾pm	
140	Nil	25/8	94pm	82pm	Bank of Ireland	88pm	+1
135	Nil	3/9	19pm	15pm	Birkby	15pm	
500	Nil	6/9	100pm	80pm	Clyde Blowers	98pm	
152	Nil	23/8	18pm	5pm	Cranswick	7pm	
345	Nil	1/9	52pm	33pm	Frogmore	51pm	+1
30	Nil	18/8	9pm	4pm	Moran Hldgs	4pm	
5	Nil	9/8	1½pm	¼pm	Premier Land	¼pm	-¼
120	Nil	16/8	32pm	28pm	Rubicon	32pm	
210	Nil	1/9	53pm	45pm	Smith New Court	46pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

● First Dealings July 26
● Last Dealings Aug. 6
● Last Declarations Oct. 28
● For settlement Nov. 8

3-month call rate indications are shown in Saturday editions.

Calls in ASDA, Caverdale, Enterprise Computer, Ferranti, Harmony Leisure, Hartstone, C.E. Heath, Micro Focus, Premier Cons., Seafield, Spring Ram and Utd. Biscuits. Put in UK Land. Double in Micro Focus.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons (*553)	550	8½	31½	42½	2½	20½	30½
	600	1	12½	21	49	52½	60½
Argyll (*303)	300	5	22	28	2	13½	20½
	330	1	8½	15	29	32½	38
ASDA (*63)	57	7½	9½	-	1	3	-
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*421)	390	38	61	75	4	25	34
	420	8	29½	43½	43	64	73
BAT Inds (*449)	425	26½	38½	48	4½	14	19
	450	8	23	33	16½	26½	31
[illegible]							

Option		Calls Jul	Calls Oct	Calls Feb	Puts Jul	Puts Oct	Puts Feb
Grand Met (*411)	390	23½	37½	47	1	9½	21
	420	1½	20½	30½	10½	23½	35½
Ladbroke (*178)	180	20½	25½	28	1	5½	9
	180	2	12	16½	4	14½	19
Utd Biscuits (*368)	360	10½	27½	39	1½	17½	26½
	390	1	13½	25½	23½	35	43½

Option		Calls Jul	Calls Oct	Calls Dec	Puts Jul	Puts Oct	Puts Dec
Fisons (*168)	160	11	21	23½	1	8	12½
	180	1	10	13½	12	19	24

Option		Calls			Puts		
Amstrad (*32)	30	4	5½	6½	2	3	3½
	35	1½	3½	4½	4½	5½	6½
Barclays (*481)	460	30	44	52½	9	17½	25
	500	9	24	32	31½	38	48½
Blue Circle (*255)	240	22	28	34	5½	13	16½
	260	10½	17½	24	15	24	27
British Gas (*298)	280	24	28	32	3	8½	11½
	300	11	15½	21½	10	18½	21½
Dixons (*210)	200	16½	27	32	8½	11	18
	220	8	17	22	17	22	26

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel (*433)	420	37	58½	-	18½	34	-
	460	18	38½	-	41½	56	-
Glaxo (*548)	500	60½	69½	80½	8½	21½	37
	550	27½	41½	57	25	45	55
[illegible]							

FT-SE INDEX [illegible]

PUTS								
Oct	3	5	11	21	42	77	122	172
Sep	9	16	24	38	61	90	127	172
Oct	23	30	38	55	74	-	-	-
Nov	-	-	-	67	92	-	-	-
Dec †	40	-	67	-	-	-	-	-

July 27 Total Contracts 38,127
Calls 22,283 Puts 15,844
FT-SE Index Calls 6,941 Puts 4,825
Euro FT-SE Calls 2,183 Puts 1,864
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Jul 27	Day's change %	Mon Jul 26	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.24	-0.01	127.26	1.05	7.35
2	5-15 years (23)	150.15	-0.24	150.51	2.82	7.67
3	Over 15 years (9)	164.32	-0.23	164.70	1.34	7.18
4	Irredeemables (6)	188.89	-0.06	189.01	2.29	7.35
5	All stocks (63)	145.99	-0.16	146.23	1.58	7.96
	Index-Linked					
6	Up to 5 years (2)	186.25	+0.01	186.24	1.53	1.92
7	Over 5 years (11)	176.89	+0.10	176.71	0.51	3.20
8	All stocks (13)	177.04	+0.09	176.89	0.62	3.05
9	Debs & Loans (65)	135.05	-0.32	135.47	2.87	5.75

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 27	Mon Jul 26	Year ago (approx.)
	British Government				
1	Low	5 years	6.85	6.81	8.38
2	Coupons	15 years	7.79	7.76	8.77
3	(0%-7¾%)	20 years	7.91	7.89	8.77
4	Medium	5 years	7.02	7.00	9.27
5	Coupons	15 years	7.91	7.86	8.96
6	(8%-10¾%)	20 years	7.97	7.95	8.91
7	High	5 years	7.22	7.20	9.49
8	Coupons	15 years	8.16	8.12	9.14
9	(11%-)	20 years	8.18	8.14	9.06
10	Irredeemables(Flat Yield)		8.03	8.02	9.03
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.86	2.86	4.21
12	Inflation rate 5%	Over 5 yrs.	3.44	3.45	4.48
13	Inflation rate 10%	Up to 5 yrs.	2.07	2.08	3.45
14	Inflation rate 10%	Over 5 yrs.	3.25	3.26	4.29
15	Debs &	5 years	8.58	8.48	10.57
16	Loans	15 years	8.86	8.81	10.31
17		25 years	8.99	8.96	10.17

Acquisitions lift Menvier-Swain

By Andrew Bolger

ACQUISITIONS helped Menvier-Swain Group, the emergency lighting and fire alarms company, increase pre-tax profits by 29 per cent to £7.62m in the year to April 30.

Turnover increased by 34 per cent to £56.8m. The group said it had made five acquisitions during the period, which had boosted sales by £8m and contributed £1m towards operating profits of £8.19m (£6.59m).

Nugalec, the French fire alarm company purchased for £10.5m in February – funded by a rights issue – was performing well ahead of expectations.

Mr Roy McDowell, chairman, said UK operations so far in the current year were operating at levels ahead of the same period last year. This was the case with all of Menvier's other operations with the exception of its smaller operating companies in Denmark, Italy, the Netherlands and Portugal, which were beginning to see effects of recession.

He added: "All this, coupled with the ongoing impact of new safety legislation on the demand for our products, gives me every confidence that we have the potential to achieve another improved set of results in the current year."

Mr Roger Fletcher, chief executive, said he was unlikely to make another significant acquisition, or rights issue, for some time as the group concentrated on integrating its recent purchases. Line management was being strengthened below board level.

Less than half group sales now come from the UK, and France accounts for 30 per cent of the total. Mr Fletcher said the group was interested in opportunities in the Pacific Rim.

Menvier eliminated borrowings of £2.4m during the year and ended with net cash of £700,000, despite increasing spending on product development.

Earnings per share increased by 21 per cent to 34.1p (28.1p). A proposed final dividend of 7.7p brings the total for the year to 11p (9p).

Tamaris plans capital restructure

By Catherine Milton

TAMARIS, the long term care provider, has announced plans to overcome the financial difficulties of recent years with a capital restructuring, placing and open offer.

The money is being raised to turn a deficit on shareholders funds of £724,000 at March 31 to a surplus of about £556,000 and to fund development.

Under new management, a pre-tax loss of £1.3m for the year to end-March 1991 has reduced to a deficit of £50,000 in 1992-93. The board plans to operate 1,000 beds within the next five years. It currently has 234.

The capital reconstruction involves the conversion of all preference shares and the raising of new equity shares.

The company has not paid a dividend on preference shares since April 1991 and has passed its payments to ordinary shareholders since August 1989.

Preference shareholders will forfeit accrued rights to £440,000.

Under the proposals every 100 preference shares will be converted into 960 ordinary shares.

Each existing share and each converted ordinary share will then be split into one new ordinary share and one deferred share.

The company is simultaneously raising a net £1.28m through the issue of 78.9m new shares at 2p each, in the placing and open offer.

The open offer is restricted to 44.9m shares. Qualifying shareholders will be entitled to apply for 16 offer shares for every 15 existing shares and 10.24 offer shares for each preference share.

The remaining 34m new ordinary shares are being placed firm.

The capital will be reduced by cancelling the deferred shares arising on the subdivision and reducing the amount standing to the credit of the share premium account by approximately £2.7m, subject to the agreement of shareholders and the High Court.

Hambros shares jump as Norwegian claim settled

By Paul Taylor

SHARES IN Hambros gained 15p to close at a five-year high of 360p yesterday after the merchant bank announced that it had settled one of the two large Norwegian claims against it relating to the collapse of the late Hilmar Reksten's shipping empire in the 1970s.

Hambros was being sued for £200m, plus interest on that amount since 1989, by the Norwegian Guarantee Institute, which had guaranteed Mr Reksten's loans, and by the trustees of Mr Reksten's estate. Mr Reksten died in 1980.

Yesterday Hambros said it had reached a settlement with the trustees under which they had withdrawn all their allegations in the proceedings and future litigation by them was prohibited.

In return Hambros Bank has made a Norwegian Kroner payment equivalent to about £7.25m. However, the company emphasised that the payment had been made "with no admission of liability."

Hambros, which has always considered the trustees' claim to have been ill-founded and in breach of a settlement made more than 12 years ago, said it had agreed to the settlement "in order to avoid substantial legal costs and demands on senior management time."

The negotiations which led to the settlement were instigated by the trustees and began in May after Hambros won a court case in Oslo.

In the other Reksten-related case brought by the Norwegian Guarantee Institute the court did not award costs in its judgment in February.

Webley & Scott sold to memorabilia supplier

By Daniel Green

WEBLEY & Scott, the 213 year-old gunmaker, yesterday completed a journey from mainstay of the British Army to bit player in the UK's leisure industry.

The Birmingham-based company was sold for an undisclosed sum to Scalemead, a Sussex-based supplier of military memorabilia including swords and replica guns.

The seller is Harris and Sheldon, a private Coventry-based company better known for fishing tackle under the House of Hardy brand, and Antler luggage.

Webley employs 75 people, and sales are worth more than £2m a year. Exports account for 60 per cent of output.

The new owner has told Webley that all employees can continue with the company at its current location.

Webley began its life as part of the Midlands iron industry in the early days of the industrial revolution. Its fortunes peaked in the first world war when it sold more than 500,000 revolvers to the British Army.

The bottom fell out of the revolver market, however, during the Vietnam war in the 1960s when cheap automatic pistols flooded the world market. Webley then pulled out of the shotgun business in the late 1970s as competition from cheap imports took its toll.

The company now makes only air pistols and air rifles, "designed for hunting and for killing vermin," said Mr Simon Baugh, Webley's sales and marketing manager. "But most people use them just for recreation."

Restricted growth at Allied Textile

By Daniel Green

FALLING INTEREST rates restricted first half pre-tax profits growth at Allied Textile Companies, one of the UK's biggest textile manufacturers.

The company reported a pre-tax figure of £5.32m (£5.21m) for the six months to March 31, representing growth of 2.1 per cent.

The textiles part of the business saw pre-tax profits rise from £3.51m to £4.26m.

But profits from the financial activities, including rental property and a cash pile of more than £27m, fell from £1.7m to £1.06m.

The fall in financial income "reflected the substantial reduction in interest rates," said Mr Peter Honeysett, chairman of the Huddersfield-based company.

He was optimistic on the textiles side, stating that trading performance would continue to improve.

"Sales volumes have still to respond fully to the better trading sentiment experienced in some areas of the business," he said.

The figures would also be helped as the benefits of capital spending in 1991-92 took effect.

The full year figures, however, would be affected by the timing of property disposals "which cannot be determined with any accuracy," said Mr Honeysett.

Since February, the company has won planning permission to change the use of two of its industrial sites to housing. Earnings per share rose from 12.38p to 12.57p and the interim dividend is raised from 4.5p to 4.6p.

North of England Building Society

Profits of the North of England Building Society slipped from £7.84m to £7.69m pre-tax for the half year ended June 30. Provisions rose by £387,000 to £787,000.

Directors said the rest of the year "was not expected to be any easier" and that current forecasts showed that profit was "likely to be on a more modest scale" than 1992's £16.7m.

Inveresk turns in £4.5m as operating margins improve

By Catherine Milton

INVERESK, the Scottish speciality paper company which floated on the Stock Exchange in June, announced pre-tax profits of £4.53m in the 27 weeks to June 5.

The outcome compared with profits of £3.12m in the six months to May 28 1992, struck after a £765,000 loss from activities since discontinued.

Turnover improved to £46.9m, against £46.2m which included a £2.89m contribution from discontinued activities associated with the Caldwells mill where a commodity product line was shut down.

Mr Stefan Kay, managing director, said: "We have capital expenditure plans to spend about £7m a year for the next three years funded by internal cash generation." The company, which said at its flotation it would grow partly by acquisition, has no purchases in mind now, but is considering two joint ventures.

The graphic board business, which together with label paper operations accounts for about 60 per cent of turnover, saw steady demand in the UK and the Benelux countries, but experienced weak sales in Germany without loss of market share.

Sales of label paper "developed well". Demand for sheets of labels, as opposed to rolls, was sharply higher and the company was forced to employ contractors to meet orders. Inveresk believes the new pattern of label buying indicated economic recovery as demand for sheets signals companies were seeking to respond more quickly to changes in their markets.

Operating profits increased to £4.67m (£3.31m) and net operating margins improved to 9.9 per cent (9.4 per cent).

Net interest payments dropped to £140,000 (£181,000).

The company is not paying a dividend until the final, which will be proposed when results for the 53 week period to December 4 are published. Earnings per share increased to 8.6p (6.1p).

Tottenham forced to tackle second forecast from Venables

By Peggy Hollinger

MR ALAN SUGAR, chairman of Tottenham Hotspur, yesterday launched another salvo in the increasingly bitter battle with Mr Terry Venables, the former chief executive

Tottenham said yesterday that it had been forced to make a statement to the Stock Exchange following "another profits forecast blunder" by Mr Venables.

The company said Mr Venables had, in response to a question on the television programme Sport in Question, stated that profits would be £4.7m for the 10 months to May 1993. This was the second unauthorised public statement on company profits made by Mr Venables in recent months, Tottenham said.

"The company wished to make it clear that this statement is wholly unauthorised and is based on the latest unaudited management accounts for the company which are subject to amendment and are intended for private circulation only," a statement said.

"The company stands by the profit statement made in response to a previous public statement made by Mr Venables, which indicated pre-tax profits for the first 10 months ended March 31 of approximately £4m."

Tottenham has given an undertaking not to remove Mr Venables from the board before his court case in the autumn which seeks to force Mr Sugar to sell his 47 per cent stake. The undertaking is expected to remain in place in spite of the latest statement. Mr Venables holds 23 per cent.

Mr Venables also stated on the programme, broadcast on Carlton TV on Monday night, that he intended to lodge a £1m claim for wrongful dismissal over the loss of his job as chief executive. In the latest twist to the increasingly personal battle between the two former friends, Mr Sugar claimed in the statement made yesterday that Barclays Bank would allow an overdraft facility only if he and Mr Colin Sandy, the finance director, remained on the board.

Cantab in $5m private placing

By Catherine Milton

CANTAB Pharmaceuticals, the Cambridge-based biotechnology company which has a US quotation, has raised $5m (£3.3m) in a private placing to four institutional investors.

The move, which broadens its shareholder base by three, follows a dialogue since the company floated in 1992. Mr Paul Haycock, chief executive, said: "Our initial public offering in the US, when conditions were not ideal, was just 1m shares."

He said a number of institutions in the US had expressed a continuing appetite for the issue, which is traded on the Nasdaq market where many American biotech stocks are traded.

Mr Haycock, who is understood to be considering floating Cantab on the Stock Exchange later this year or early next, said: "The money will be used for the continuing development of our current products and the establishment and development of our portfolio for the future."

The company is developing products which use the properties of the immune system to treat disease. It is working on leucocyte modulators, which regulate or block immune system functions and therapeutic antigens, which activate specific immune responses.

NEWS IN BRIEF

ASDA PROPERTY Holdings has received acceptances to its rights issue in respect of 21.83m new ordinary shares (97.2 per cent). The balance, of 620,320 shares, has been placed at a net premium of 12p each.

DRAGON OIL has issued an initial 4.59m ordinary shares pursuant to its compulsory acquisition of the outstanding shares in Kirkland.

GREAT PORTLAND Estates has received acceptances to its rights issue in respect of 59.28m new ordinary shares (91.13 per cent). The balance has been sold in the market.

MOLYNEUX ESTATES is to acquire the freehold interest in the 100,000 sq ft Locks Heath Shopping Centre, Fareham, Hampshire, for £3.25m.

SUTCLIFFE SPEAKMAN has received acceptances to its rights issue in respect of 74.99m new ordinary shares (96.7 per cent). All 1p shares are to be consolidated into ordinary 5p shares on the basis of one consolidated share for every five new or existing ordinary. Also, the 1.08m outstanding warrants to subscribe for ordinary 1p shares will be consolidated into up to 215,483 warrants to subscribe for consolidated shares on basis of one consolidated warrant for every five existing warrants. Subscription price will be adjusted to 330p.

WHESSOE has waived the remaining condition of its offer for Autronica – namely the grant of a concession from the Norwegian government on acceptable terms – and has therefore declared its offer unconditional. The company, which currently owns, or has received acceptances for, about 88 per cent of Autronica, said it did not intend to accept the Simrad offer of NKr20 (180p) in cash and NKr65 in loan notes for each Whessoe share. This compared with Whessoe's NKr85 in cash.

Charter restructuring

CHARTER CONSOLIDATED shareholders have approved the restructuring of the group, which will mean that Minorco will no longer be a shareholder.

Votes cast at the EGM and court meetings were overwhelmingly in favour of the proposals. A High Court hearing to sanction the scheme is expected to take place on August 18.

All Charter shareholders, except Minorco, will exchange their shares in Charter Consolidated for shares in a new company, Charter plc.

Minorco will receive a loan note for £235m. Trading in Charter shares is expected to begin on August 23.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Textile	int	4.8	Sept 30	4.5	-	12.6
Dudley Jenkins §	fin	2.1	Sept 17	2.65	3.1†	4
Jersey Phoenix	fin	1.5	Oct 7	1.5	5.25	5.25
Linx Printing	fin	1.73	Nov 12	-	2.08	-
Menvier-Swain §	fin	7.7†	Oct 1	6.3	11	9
Murray Smaller	fin	2.85	Sept 22	2.75	4.2	4
Murray Smaller	int	1.42	Jan 6	1.35	-	4.2
Reuters	int	6.2	Sept 13	5.3	-	21.2
RPS §	int	1.1	Oct 26	1	-	2.2
St Modwen Props	int	0.3	Sept 17	-	-	0.6
Scot Nat Trust	int	1.8☆	Oct 27	2.1	-	8.85
Temple Bar Tst	int	4.6	Sept 30	4.5	-	13.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Third interim making 4.9p to date.

Guarded optimism in the market as the UK clearing banks begin their half year reporting season this Friday

Downturn in debt provisions expected to signal recovery

By John Gapper

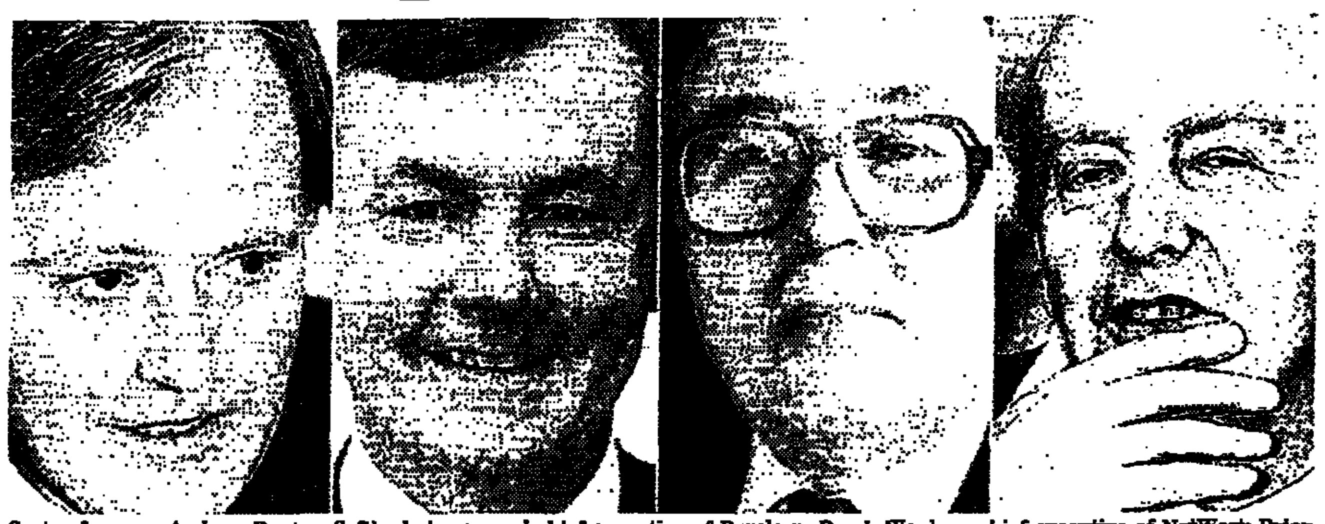
IF ANY unfortunate surprises are disclosed when the UK banks start reporting their half year results on Friday, their shareholders will have a nasty shock. For 20 years banks have lacked much capacity to startle because they have been held in so little regard anyway. But this year is different.

The interim results season that starts with Lloyds on Friday and continues next week, culminating with Barclays, marks a watershed in two ways. One is that the results are likely to show a downturn in bad debt provisions. The second is that the recovery that signals is expected to last at least half a decade.

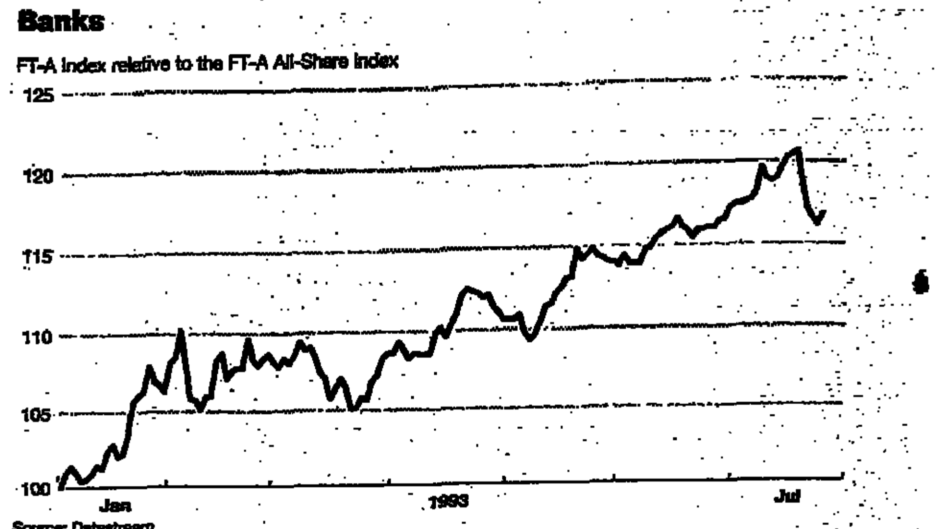
For the first time in a generation the market has not discounted much for management incompetence or the likelihood of fresh problems being disclosed. The banks sector has risen 17 per cent relative to the FT-A All-Share index this year as the belief that they have mended their ways has taken hold.

This is quite a change from the high inflation era of the late 1970s and 1980s when banks expanded balance sheets by taking on poor risks, and consumed capital. Shareholders now regard banks as being more tightly managed in a safer environment, and so capable of generating capital internally.

Mr Norrie Morrison, analyst at Kleinwort Benson, argues that bank shares are coming to be valued on earnings rather than yields because banks are more trusted. The question – for which clues will be sought in the interims – is whether they have truly undergone a secular shift in behaviour.



Seats of power: Andrew Buxton (left), chairman and chief executive of Barclays; Derek Wanless, chief executive of NatWest; Brian Pearse, chief executive of Midland; Brian Pitman, chief executive of Lloyds



Two problems likely to emerge in the results have already been largely discounted. One is the start of the Standard of Recommended Practice (Sorp) on the accruing of interest on non-performing loans. This will stop banks taking interest into earnings and providing against it separately.

The bank likely to be most affected is Lloyds, which has stuck closely to interest accrual. Although its profits before tax will not be affected, Kleinwort Benson predicts that the reduction of net interest income will raise its costs to income ratio by 4.2 percentage points to 66.6 per cent.

The second problem is more substantial: the upsets that have been encountered by National Westminster, Barclays and Abbey National in continental Europe. As poor asset quality problems in US operations ease, similar problems have been exposed in retail bank subsidiaries in France.

Lehman Brothers estimates that NatWest's disposal of its French retail bank will lead to a £100m charge, while Abbey National will make a £65m further provision in the first half against commercial property lending in France. Barclays is expected to suffer a £150m loss in France during 1993.

Despite these local difficulties, total provisions are likely to start falling. Brokers expect provisions similar to the first half of last year, but a significant fall on the poor second half of last year. Estimates of the fall on the second half range from 15 to 27 per cent.

Some of the brightest aspects of the results are expected to be the contributions made by investment banking subsidiaries, particularly in treasuries due to currency volatility, and capital markets operations as companies have raised debt and equity finance rather than borrowing from banks.

This may make up for sluggish income from the traditional banking activity of lending. Each of the big four clearing banks has shown declines in loan volumes since the start of the year, with Lloyds having the sharpest fall. This limits the scope for interest income without wider margins.

However, static or falling lending has also provided some encouragement to shareholders because it implies that banks will not have to raise capital to maintain the regulatory ratios of capital to risk-weighted assets. Fears of rights issues earlier in the year have eased significantly.

Mr Julian Robins of BZW believes that banks are unlikely to repeat the rapid expansion of assets following the recession of 1979-81 which led to rights issues in the late 1980s.

The question is whether banks will maintain the increased margins they have achieved in this recession. Mr Robert Law at Lehman Brothers says profits before bad debts have risen from 1.38 per cent in the early 1980s to 1.68 per cent in 1992 – or a 50 per cent rise in "normalised" profitability.

If the interim results mark entry to an era of internal generation of capital, they will have to display more self-restraint than in the past if margins are not simply to be squeezed as they compete for business. Mr Law says this question is "impossible to answer with certainty" but much rests on it.

If banks *give in to such a temptation*, then much of their newly found respect among shareholders will dissipate. Probably the initial signal will come from Lloyds, as the bank decides whether to continue accumulating its already strong capital, or start handing it back in dividends to shareholders.

Linx Printing disappoints with 13% fall to £1.43m

By Zhang Tingting

LINX PRINTING Technologies, the manufacturer of continuous ink jet printers used primarily to identify and code products, disappointed with its first full year results since last October's flotation.

Profits before tax for the 12 months to June 30 fell by 13 per cent to £1.43m (£1.64m) on sales of £11.9m (£10.5m). Earnings per share were 7.1p (8.4p).

Worsening market conditions in the UK and continental Europe led to the earlier-than-expected release of the results, which followed a profits warning and the resignation of the sales and marketing director in May.

Attributing the decline to "pressure on margins, together with continuing investment in sales and marketing and research and development," Mr Derek Harris, chairman, also emphasised that the company's strategy was to reduce dependence on UK and European markets by expanding sales in the rest of the world.

Sales revenues, particularly from the Pacific Rim, have increased rapidly and now represented 25 per cent of the total, he said.

However, North American markets were starting to deteriorate.

Investment in research and development increased to 8.9 per cent (7.9 per cent) of sales when the new 6000R printer and a new range of inks, including environment-friendly inks, were developed and launched.

Mr Harris vowed to implement remedial actions in Europe after a marketing strategy review is completed, but warned the benefits of changes were unlikely to be evident until later in the group's financial year.

The shares dipped 3p to 89p.

St Modwen pays maiden interim

By Paul Cheeseright, Midlands Correspondent

ST MODWEN Properties, the Birmingham-based investment and development group, is paying a maiden interim dividend, acknowledging the steady rise of secure rental income from its properties.

The group yesterday announced slightly higher pre-tax profits for the half year to May 31 of £1.1m, against £1.04m, on turnover sharply reduced from £11.4m to £4.06m reflecting the absence of development property sales.

This meant that the group's sole source of income was from rents. Its rent roll is presently running at £7.9m a year and, according to Mr Stan Clarke, chairman, should be £9m by the financial year end. Debt charges arising from gearing, which remains constant at about 100 per cent, are amply covered.

Mr Clarke said that contracts had been exchanged for two development sales, and there was another in the pipeline.

The income from the sales will be spread over the current half and the first half of next year. These funds, combined with the growing rent roll, underpin what looks like the start of a more liberal dividend policy.

The first interim is 0.3p from earnings per share of 0.6p. The dividend for 1992 was 0.6p from earnings per share of 1.1p.

Cadbury South Africa advances to £5.1m

By Philip Gawith in Johannesburg

Cadbury Schweppes (South Africa), the 53 per cent owned subsidiary of the UK confectionery group, overcame difficult trading conditions to lift pre-tax income by 32 per cent to R25.7m (£5.1m) over the 24 weeks to mid-June.

Sales volume growth in most areas helped boost turnover by 16 per cent to R344.9m (R296.5m). Improved merchandising and a reorganisation of confectionery manufacturing facilities helped lift operating profits by 21 per cent to R31.7m (R26.3m).

Lower finance costs and an improved contribution from associate companies saw attributable income rise by 23 per cent to R26.4m (R21.5m).

The dividend is increased by 20 per cent to 18 cents (15 cents) on earnings ahead from 61.2 cents to 74.4 cents per share.

Whitbread sees moderate growth

WHITBREAD expected "continuing, but moderate, growth" in most of its markets this year, Sir Michael Angus, chairman, told the annual meeting of the brewing and retailing group yesterday, writes Philip Rawstorne.

During the first four months of the financial year, profitability had been maintained in the highly competitive beer market and the food businesses were showing healthy year-on-year growth, he said.

The rate of growth would depend on the group's brands and how quickly and deeply the current modest economic upturn was consolidated, Sir Michael said.

"Our brands are strong and extremely well managed. I believe, however, that our customers – particularly in south-east England – are still in the after-shock of the worst recession since the war and it may be some months yet before their confidence is fully restored."

Sir Michael gave a warning to the government that the levels of tax on beer were becoming a threat to the survival of large numbers of pubs.

"We calculate that the beer and pub industry contributes £12bn each year to the exchequer through all forms of taxes – £4bn in excise duty alone. For the British beer drinker this means between 40p and 50p on every pint going to the government in the form of duty and VAT. That's nearly one third. It's far too much and there's a real danger that people will begin to vote with their feet and stay away from their locals."

Chloride in black

Chloride Group, the loss-making electronics and batteries company, reported higher sales and orders for the first quarter of the current year.

The company announced at its annual meeting that it had traded profitably in the first quarter and expected this to continue. Chloride turned in an increased loss of £1.58m (£1.41m) for the year ended March 31.

Neepsend ahead

First quarter results of Neepsend, the Sheffield-based tool, metal processing and DIY products group, were ahead of budget and significantly up on last year at this time, Mr Peter Barker, chairman, told the annual meeting.

Every effort was being made to bring to a satisfactory conclusion the disposal of surplus property assets, he said. "Success in this area would serve to *improve profitability* and bring our gearing down to a more appropriate level."

Mr Barker said trading in all areas was still tough, but the company was budgeting for a profitable year.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.07.93: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.58	18.09	18.09
0100	20.58	18.05	18.05
0130	20.58	18.01	18.01
0200	20.58	18.01	18.01
0230	20.58	18.01	18.01
0300	18.03	18.01	18.01
0330	18.03	18.01	18.01
0400	18.03	18.01	18.01
0430	18.03	18.01	18.01
0500	18.03	18.01	18.01
0530	34.00	18.04	18.04
0600	30.75	33.00	33.00
0630	19.95	33.00	33.00
0700	20.64	21.00	26.55
0730	23.88	25.57	31.17
0800	21.88	25.58	31.01
0830	24.58	25.60	30.92
0900	24.88	27.16	32.85
0930	25.08	27.62	33.03
1000	25.34	28.83	34.29
1030	25.34	31.74	37.32
1100	25.34	31.77	37.35
1130	31.68	36.69	42.48
1200	31.68	36.72	42.60
1230	31.68	36.65	42.43
1300	31.68	36.58	42.28
1330	28.06	28.88	32.17
1400	28.06	28.18	31.45
1430	28.06	28.17	31.44
1500	25.34	28.18	31.44
1530	25.23	28.17	31.44
1600	28.06	28.18	31.47
1630	28.06	34.05	39.58
1700	34.98	35.32	40.90
1730	34.98	35.30	40.87
1800	34.98	35.27	40.86
1830	28.95	35.24	40.85
1900	28.95	25.57	30.86
1930	24.29	25.57	30.94
2000	24.29	25.01	30.37
2030	23.88	24.53	29.88
2100	24.29	24.18	29.58
2130	36.00	23.82	29.08
2200	36.00	36.67	44.26
2230	36.00	54.00	60.07
2300	32.80	34.00	34.00
2330	22.12	20.50	20.50
2400	20.50	18.49	18.46

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8:30am and 5:15pm Monday to Friday.
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NEWS DIGEST

Dudley Jenkins ahead 67%

CONTINUED progress through the second six months enabled Dudley Jenkins, the USM-quoted direct mail services group, to record a 67 per cent improvement in pre-tax profits to £779,000 for the full year to April 30.

The directors said most companies in the group "increased sales in their specific markets when, due to the recession, demand in these markets actually contracted."

Turnover advanced from £9m to £10.7m leaving operating profits at £798,000 (£589,000) after taking account of a £1.16m rise in administrative costs to £4.06m.

Earnings per share emerged at 4.53p (3.86p). A final dividend of 2.1p makes a 3.1p (4p) total on enlarged capital.

The shares rose 7p to 61p.

RPS continues advance to £388,000

RPS Group, the USM-traded environmental consultancy, continued to improve with an increase in pre-tax profits from £355,000 to £388,000 for the half year to June 30.

Turnover was down from £3.73m to £3.5m, giving an increase in margins from 9.5 per cent to 11.1 per cent.

The company has just won a contract to advise the Department of Trade and Industry on the environmental issues relating to the privatisation of British Coal, and will continue its policy of concentrating on maintaining and improving margins rather than adding turnover.

Earnings per share came out at 2.17p (1.99p) and there is an increased interim dividend of 1.1p (1p).

Murray Smaller net asset value improves

Murray Smaller Markets Trust had a net asset value of 345.7p per share at May 31, compared with 295.3p a year earlier.

Net revenue fell from £2.59m to £2.56m for earnings per share of 4.55p (4.62p) or 4.52p (4.59p) assuming full conversion of B ordinary shares.

A final dividend of 2.85p (2.75p) is proposed, lifting the total from 4p to 4.2p. An interim dividend of 1.42p (1.35p) is declared for the current year.

Clayform placing gets approval

Shareholders and warrantholders of Clayform Properties have agreed the placing and open offer to raise £27.1m and the name change to Development Securities.

The company will be placing 80.3m shares at 35p with a 2-for-1 clawback. Proceeds will be used to repair the balance sheet.

Jersey Phoenix net assets rise

Net asset value per 10p share of Jersey Phoenix Trust stood at 108p at end-June, an improvement of 17.5p on the figure standing 12 months earlier.

Available revenue for the year rose from £798,000 to £820,000, equal to earnings of 5.4p (5.3p) per share. A final dividend of 1.5p makes a same-again 5.25p total.

Coats Viyella arm to buy US diecaster

Dynacast International, the precision engineering subsidiary of Coats Viyella, is acquiring the assets of the Lone Star Die Casting Corporation, based in Texas.

Lone Star, which specialises in aluminium and magnesium diecasting, has annual sales of about $10m (£6.6m).

BZW to sell Scapa scrip shares

BZW Securities is inviting bids for the Scapa Group shares, worth about £1.7m, that it has agreed to buy as a result of its cash offer for shares arising from Scapa's enhanced scrip dividend scheme.

The strike price auction will be open to members of the Stock Exchange and institutional clients of BZW.

EFM Java Trust net assets rise

EFM Java Trust raised net asset value per share by 20 per cent to 39.3p at the end of June 1993, against 32.88p six months earlier.

After-tax losses for the first half of 1993 came out at £16,000, compared with £27,000, and deficit per share emerged at 0.054p (0.0908p).

Glencar placing for expansion

Glencar Exploration has placed 5m shares at 9p each to raise funds to continue the gold exploration programme at Kanyankaw, Ghana.

There is a clawback for ordinary shareholders to subscribe for 2.05m new shares at 9p on a 1-for-9 basis.

The funds raised will also advance the exploration of the Irish zinc/lead properties at Navan, County Kildare.

BET raises £18m from disposal

BET is selling Reditune of Germany and Rediffusion Music, suppliers of commercial music services, to AEI Music Network of Seattle for £18m cash.

The companies reported trading profits of £1.6m in the year to March 27, before exceptional charges of £2.1m, on turnover of £16.5m. Net assets at the end of the period were £3.5m.

Temple Bar Trust net assets ahead

Net asset value per share of Temple Bar Investment Trust rose from 310.9p to 325.09p net of prior charges at nominal value over the six months ended June 30.

Attributable profits for the half year to end-June amounted to £3.92m (£4.38m). Earnings emerged at 6.835p (7.642p) and the interim dividend is 4.6p (4.5p).

COMPANY NEWS: UK

East Kent Travel acquired as further purchases are considered

Stagecoach arrives at £13m

By Paul Taylor

STAGECOACH, the Perth-based regional bus service operator, yesterday reported pre-tax profits of £13m in the year to April 30, compared to £8.24m and ahead of the £12.8m forecast at the time of the company's flotation in mid-April.

Mr Brian Souter, chairman, said the results reflected both organic growth and the effect of recent acquisitions.

Operating profits increased to £18.3m (£15.8m) including £679,000 from acquisitions, while net interest costs fell to £5.16m (£7.43m). Turnover increased to £154.3m (£140.7m).

Earnings per share increased by 38 per cent to 8.3p (6p). No final dividend is recommended but the notional net dividend of 3.8p, set out in the flotation prospectus, would have been covered 1.8 times.

The group plans to use the £20.6m proceeds of the flotation to assist further acquisition-led growth. "We think there are tremendous opportunities for us as a bus company to grow," Mr Souter said yesterday.

The company, which already runs bus services in 13 UK regions and counties and in Kenya, Malawi and New Zealand, is acquiring East Kent Travel, the subject of a management buy-out from National Bus in 1987, extending its grip over bus services along the south-east coast.

"We are currently investigating a number of other UK bus opportunities and anticipate substantial activity over the next 12 to 18 months," he said. In addition to acquisitions Stagecoach is also likely to bid for services in London and south Manchester when they are "privatised".

Over the past year Mr Souter said the group had made significant progress towards achieving a target group operating margin of 15 per cent by lifting bus operating margins from 11.2 per cent to 11.9 per cent.

As part of a five-year fleet modernisation programme the group took delivery of 299 new vehicles in the UK last year and 112 vehicles overseas.

Expenditure on new vehicles over the next two years will be £27m following the £40m spent over the last 3 years.

Despite heavy capital expenditure of £26.1m (£13.7m) during the year the flotation proceeds ensured that the group ended April with reduced net borrowings of £26.3m (£46.9m), equivalent to gearing of 58 per cent, down from 243 per cent a year earlier.

Trevor Humphries

Brian Souter: sees tremendous growth opportunities

Arlen chief steps down over plans

By Peggy Hollinger

A ROW over board strategy has cost Arlen, the light fittings and electrical accessories company, its chief executive just 18 months after he was appointed to the position.

Arlen said Mr Paul Cohen had disagreed in particular with plans to raise cash by introducing Fortress Trust, the investment company, as a 29.9 per cent shareholder. Fortress proposes to underwrite a 1-for-1 rights issue to raise £7m, in return for the stake and the appointment of four directors to the board. Arlen needs the cash to redeem £3.2m in preference shares which fall due next year.

Mr Cohen came to the Arlen board when it took over Highland Electronics in 1990. He will be replaced by Mr Tom Forsyth, a non-executive director as acting chairman until September, when it is expected a new chief executive will be named. Speculation centres on Mr Greville Howard, Fortress chairman.

Arlen refused to comment on further details of Mr Cohen's departure. However, details of the Fortress Trust proposals are expected in the next few days.

Flying Flowers gets £11.8m tag

By Catherine Milton

FLYING FLOWERS, the nation's sole flowers-by-post business, is hoping sunny City conditions for flotations will cheer its listing.

The company's unsentimental institutional backers will be relying more on perennial sunshine in the hearts of lovers, as well as prickings of filial guilt on Mothers' Day and at Christmas, to keep up sales of the polystyrene boxes of blooms at £8.99 a go.

The £4.08m placing of 6.29m shares, of which 3.94m are being sold for the company's main shareholder, is sponsored by Townsley. The shares are being placed at 65p each to value the company at £11.8m. Dealings are expected to begin on August 2.

Flying Flowers has turned a pre-tax loss of £3,000 and turnover of £2.7m in calender 1990, into a pre-tax profit of £533,000 and turnover of £5.36m in 1992. It is forecasting a 76 per cent increase in pre-tax profits to at least £940,000 this year, after interim profits of £312,000. That gives a prospective multiple at the placing price of 14.73. The notional yield is 2 per cent, covered 3.2 times.

After the placing, directors and their family interests will account for 63.13 per cent of the enlarged share capital and have given undertakings not to dispose of any shares before the year's results are published, without the consent of Townsley.

Mr Walter Goldsmith, chairman, said about £2.5m of the money will go to Hillcrest Investments, the company's majority shareholder, which is owned by family trusts of Mr Jim Evans, a non-executive director. Hillcrest will realise 39.5 per cent of its investment in Flying Flowers leaving it with 33.2 per cent of the issued share capital.

The £1.07m net remainder will enable the company virtually to eliminate its £1.25m debt and allow for expansion in the UK and almost certainly into continental Europe too.

Mr Goldsmith said: "Apart from the fact that we still have a lot of growth in the UK market, we are exploring the logistics of offering the Flying Flowers service to other European countries."

He said the only constraint was arrangements with national postal authorities. The company would "probably" move into France this year or next, with only marketing investment necessary for the move.

Mr Goldsmith, previously chairman of the Food from Britain quango, believes Flying Flowers is the first non-financial services Jersey-based company to seek a listing.

The company's 17-acre Jersey Flower Centre grows about 5m flowers a year, 80 per cent of which are carnations. Flying Flowers takes about £30,000 a week from tourist visitors who also join its 300,000-strong marketing database.

The company employs an average of 90 people a week.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Continental Assets Trust, Corporate Services, Selective Assets Trust, Sphere Inv Trust, Thornton Asian Emerging Inv.
Finals- Banks (Sidney C), Clayhithe, Dyson (J&J), Excalibur, Grosvenor Inns, Mitie, Platignum, Rubicon, Smith (David S).

FUTURE DATES

Interims-	
African Lakes	Jul. 30
Brit Alcan Aluminium	Aug. 5
Edinburgh Oil & Gas	Aug. 10
Ferry Pickering	Aug. 21
Finsbury Smaller Cos	Jul. 29
Medeva	Aug. 23
Yorkshire Chemicals	Aug. 3
Finals-	
Beales Hunter	Aug. 4
Reamore	Aug. 10
River & Merc Smaller	Aug. 24

COMMODITIES AND AGRICULTURE

UK dairy farmers 'to be among highest paid in EC'

By Deborah Hargreaves and Alison Maitland

THE UK'S dairy farmers could be among the highest paid in Europe when the milk market is opened to competition next year, according to Mr Andrew Dare, chief executive of the Milk Marketing Board.

Mr Dare will head Milk Marque, the board's successor, which will be a voluntary farmers' co-operative when it is set up next April. Rules for the new organisation and farmers' contracts are in place, but the new set-up must be approved by the government.

The Agriculture Bill, which abolished the milk board, received the royal assent yesterday. Mr Dare said he would submit his re-organisation proposals in August with industry consultations expected to begin by the end of September. Mrs Gillian Shephard, the Minister of Agriculture, will then probably approve the Milk Marque structure by the end of October. It also has to be given the go-ahead by the European Commission.

When Milk Marque was launched, Mr Dare said, he hoped payments to UK farmers would be among the three highest in Europe. "With more milk going to fresh products than any other country in Europe, we should be near the top of the league on prices, but it would be folly to price milk in this country so high as to attract imports."

But Mr Dare said he had not included any price in his draft contracts to farmers. He was speaking before the final annual meeting of the board in its present form, where farmers were urged to stand united and join Milk Marque once the board disappeared.

Milk Marque is hoping to attract more than 80 per cent of dairy farmers, but Mr Dare says the organisation can be viable if it gains as few as 15 per cent. He is offering farmers contracts that enable them to leave the co-operative on three set dates with a year's notice. If farmers leave with three months' notice, they will be liable to pay a penalty equivalent to 2 per cent of their previous year's milk receipts – or about ½p a litre.

Mr Dare is committed to a cost-cutting programme at Milk Marque where he hopes to trim transport costs to 1p a litre from 1.1p and keep overall costs at 1.4p a litre for the next three years, compared with 1.5p this year, in spite of inflation and the loss of some economies of scale.

In an effort to save on transport costs, Mr Dare will suggest that milk from some farmers is collected every other day – not every day as at present. But he stresses that this will be only for farmers who have additional storage capacity for the extra milk.

Farmers outside England and Wales, for example from Scotland or France, will be able to join Milk Marque, although they may have to pay extra transport costs, says Mr Dare.

Milk Marque faces competition for farmers' milk in the free market next year from dairy groups such as Northern Foods and Nestlé. In an effort to persuade producers to rally to Milk Marque, Mr Dare points to the risks of tying their fortunes to a single dairy company.

For example, Express Dairies' share of the yoghurt market had fallen from 27.1 per cent in 1989 to 15.5 per cent last year, while that of Muller had soared from 4.3 per cent to 17.8 per cent, he notes.

Dairy Crest, the Milk Marketing Board's dairy products subsidiary, is to be spun off before next April and Mr Dare says shares will probably go only to current milk producers. Some former producers have threatened legal action if they do not obtain shares, arguing that they have contributed to Dairy Crest in the past through the milk price and capital levies.

Pulp industry not yet out of the woods

Producers are still battered by over-supply and weak demand, writes Bernard Simon

WOOD PULP producers have seen many lights at the end of their industry's tunnel over the past three years. But instead of growing brighter, the lights have each time faded away into the distance.

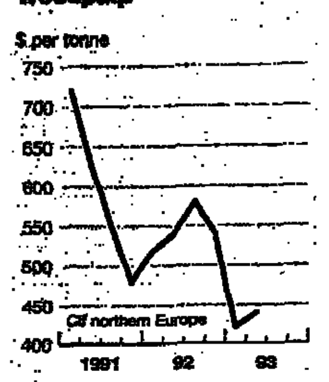
After so many false starts those producers still brave enough to make predictions now acknowledge that a solid upturn is unlikely for at least another six months. "I don't think there's a lot of optimism for the balance of this year," says Mr John Sim, vice-president for pulp marketing at Canadian Pacific Forest Products in Montreal.

Prices of northern softwood pulp are languishing around US$460-480 a tonne in North America, before the discounts of $40-50 a tonne that have become standard practice in the industry.

Mr John Johnson, forest products analyst at Richardson Greenshields in Vancouver, recently lowered his 1993 forecast from an average price of $490 to $460. He has also cut his 1994 prediction from $590 to $550.

The pulp industry is being battered by both over-supply and weak demand. Several projects, which were planned before the severity of the downturn became apparent, are now on the point of being commissioned. A C$1.3bn (£675m) hardwood pulp mill, jointly owned by Mitsubishi Trading and Kanzaki Paper of Japan and Vancouver-based Crestbrook Forest Industries, is set to come on stream in northern Alberta on September 1. The mill will initially produce 750 tonnes a day, half its rated capacity.

Woodpulp



Source: Industry estimates

The US, Chinese and Venezuelan owners of the Celgar bleached northern kraft pulp mill in south-east British Columbia are also putting the finishing touches to a project, which will more than double capacity to more than 1,200 tonnes a day.

Even bigger projects are on the drawing boards in Brazil and Indonesia, awaiting the financing that could materialise once the market shows signs of life. The projects in Indonesia could add 1.5m tonnes a year, or 7 per cent, to world chemical market pulp capacity. While acknowledging that "any new pulp mill could depress the market", Mr Keith Fujieda, president of MC Forest Products, a Mitsubishi subsidiary, says that "we can reasonably sell our product [from the new Alberta mill]". Mr Fujieda says the mill will ship mainly to customers in Japan, Europe, the US and possibly Korea.

On the demand side, producers have been frustrated to find improved conditions in one market being offset by a deterioration in others. Paper consumption in Germany and Japan has weakened markedly in recent months.

According to the Canadian Pulp and Paper Association, Canadian mills' shipments to Europe sank to 155,000 tonnes in May from 184,000 tonnes a year earlier. Weak offshore markets have encouraged export-oriented mills in the US and Canada to divert shipments to the more buoyant domestic market, thereby holding down North American prices. Thus, Canadian mills' shipments to the US climbed to 176,000 tonnes in May, from 174,000 tonnes a year earlier and 155,000 in May 1991.

Despite the gloom, market forces are starting to tighten up the slack between supply and demand.

Simpson Timber in the US and CP Forest are among the North American producers that have permanently shut down some older, high-cost mills. Many other companies have announced temporary production cuts. In Canada, the operating rate has slid from an average of 98 per cent in the first five months of 1992 to 85 per cent in January-May 1993. Latest estimates suggest that the industry is now operating at less than three-quarters of capacity.

If the pressure on prices lasts much longer, more sweeping rationalisation is likely. Record lumber prices, which enabled many forestry companies to subsidise loss-making pulp operations, have come down markedly in recent months. Mr Bruce Kirk, analyst at S.G. Warburg in New York, says that the most likely casualties of the coming shake-out are the older, inefficient mills owned by industry giants such as Stora of Sweden, International Paper of the US and the big eastern Canadian producers. Mills in high-currency countries, such as Japan, are also vulnerable. These mills rely on imported fibre and many do not meet the latest environmental standards. "If the Japanese currency wasn't so high, they'd be losing their shirts; they're already losing both sleeves," Mr Kirk says.

Least affected by further cuts are likely to be mills in British Columbia, whose feedstock consists largely of chips from lumber manufacturers. Some of these mills use no wood at all from raw logs.

The production cuts are having an effect. Canadian producers, who account for more than a quarter of world market-pulp output, have lowered their stocks from 43 days' supply in March to 37 days in May – though this is still well above the 21 days held at this time last year. It is not yet clear whether the decline in stocks is due to production cuts or to paper-makers starting to rebuild depleted inventories in anticipation of rising prices.

Pulp producers face another uncertainty when demand for paper products does eventually improve. In previous upturns rising paper sales were matched by a corresponding rise in demand for pulp. But an ever-growing proportion of paper mills' raw material now comes from recycled material.

The pulp industry may thus find that not only has the recession been longer than anyone expected, but that the recovery will be painfully slow.

Oil prices rise as Iraq fears fade

By Deborah Hargreaves

SOME STRENGTH returned to the oil market yesterday with North Sea Brent crude for September delivery rising xxx cents to $17.15 a barrel. Traders said that prices had begun to recover from recent weakness on suggestions that the Iraqi government's oil export talks with the United Nations could be put off until September.

Iraq had been talking about a limited return to the export market with a sale of $1.6bn-worth of oil spread over 6 months. But it now appears that Saddam Hussein is pressing for a full lifting of UN oil sanctions, which could take months to negotiate.

"OK, the fundamentals are not that great, but we've still come off $2.50 a barrel on the back of the Iraqi oil threat and it's now creeping back up," said one trader yesterday.

The Organisation of Petroleum Exporting Countries remains in disarray over the low oil price and over-production by some members. An emergency meeting has been put off indefinitely.

Mr Geoff Pyne, oil analyst at UBS, says that the supply-demand balance in the market is not that bad: "certainly not as bad as represented by the weak oil prices of the last couple of weeks".

Industry stocks are not especially high for the time of year, Mr Pyne asserts. But some refiners have been building stocks more quickly than usual in the past month and Mr Pyne says this could worry some market participants.

Recycling forecast to hold back mined lead output

By Kenneth Gooding, Mining Correspondent

A STEEP rise in production of secondary lead from recycled and scrap metal will hold back output from the mines, according to the Economist Intelligence Unit consultancy organisation.

It points out that secondary lead already has a 50.5 per cent share of total western world production and output can be expected to grow by more than 27 per cent between 1992 and 1997, from 2.223m tonnes to 2.83m tonnes. This would take its share of forecast total output in 1997 – 4.925m tonnes – to 57.5 per cent.

The EIU notes that, although lead and zinc are usually mined as co-products, miners can pick projects that shift the lead/zinc balance in the way the market indicates.

So it sees mine production of lead falling by more than 6 per cent from 2.317m tonnes in 1992 to 2.17m tonnes in 1997.

In contrast, mine production of zinc is forecast to rise marginally by 2 per cent to 5.73m tonnes between 1992 and 1997. However, environmental pressures will ensure more zinc is recovered from furnace dusts and the EIU expects secondary zinc production to climb from 357,000 tonnes in 1992 to 395,000 tonnes in 1997. Total refined zinc output is predicted to rise from 5.435m tonnes to 5.85m tonnes in that period.

The report suggests lead and zinc prices will recover in the years to 1997 but not regain earlier peaks. The London Metal Exchange cash settlement price for lead will rally from under 18 cents a lb today to an average of 32 cents in 1997, it predicts. For zinc, the report forecasts rise from 43 cents to 62 cents a lb.

It says each metal has a strong core market that accounts for a growing proportion of consumption: batteries for lead and galvanising for zinc. Net exports of these metals to the West from the former communist bloc countries "should be reduced to much more manageable proportions by 1995-97", it adds.

The EIU forecasts that average gross domestic product growth in member countries of the Organisation for Economic Co-operation and Development in the five years to 1997 will grow at 2.3 per cent annually. Total zinc consumption is predicted to rise by an annual average of 2.3 per cent and that of lead by 2.5 per cent.

● The report makes a strong plea for the LME not to be turned into "a proper futures market" with the consequent abandonment of the cash and three month system of trading and all pretence of physical delivery. "The LME has long been the vehicle for orderly trade in base metals, without which chaos would have reigned. To distance the LME from the physical trade now would be a betrayal of the industries which increasingly rely on it both as an element of stability and a help in the conduct of their day-to-day operations," the report adds.

Lead and Zinc to 1997: £175 or $365, from the EIU, 40 Duke Street, London W1A 1DW, UK.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,550-1,610 (1,545-1,595).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (2.25-2.50).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.45-0.50.

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 12.00-12.80 (12.50-13.30); 99.3 per cent, $ per lb, in warehouse, 10.10-10.80 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 105-120 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 105-120 (2.25-2.30).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 26-38 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.00 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+4,275	to 1,939,100
Copper	+2,150	to 465,125
Lead	+3,225	to 270,560
Nickel	+1,388	to 100,392
Zinc	+1,075	to 712,400
Tin	+80	to 20,475

Argentine farmers protest against economic policies

By John Barham in Buenos Aires

THOUSANDS OF farmers yesterday converged on Buenos Aires' central Plaza de Mayo to protest against government policies that they claim are driving all but the largest farms into bankruptcy.

Cheered by passers by, tractors and pick-up trucks jammed the city's streets as they made their way to the square – dominated by the presidential palace, the economy ministry and the tax department – the targets of the farmers' anger.

The protest is the culmination of months of agitation for a change in government policy, which have so far fallen on deaf ears. Farmers are demanding less taxation, subsidised loans and refinancing of their bank loans of over US$4bn.

However, there is little that President Carlos Menem or his economy minister, Mr Domingo Cavallo, can do to solve farmers' biggest problem – subsidised output in the US and the European Community, which has steadily driven international commodity prices down. To make matters worse, flooding has covered huge expanses of the pampas.

The government has already eliminated hated export taxes and abolished taxes on fuel and bank loans. Nevertheless, farmers complain they are still burdened by excessive value added tax and punitive provincial government taxes. Furthermore, an overvalued exchange rate is eroding their export incomes while their costs continue rising.

One of the protesters, Mr Roberto Bafunda, who produces wheat, corn and soyabeans on his small 50 hectare farm, said: "We can't survive like this. The small farmers are being driven out and the rich big ones are buying up the land of the bankrupt."

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER closed higher on the LME after a break above $1,930 a tonne for three-month metal, injecting stability into most other metals. Dealers said buy stops were triggered around $1,935, with the market hitting a high of $1,949, before prices eased. As usual, fundamentals took a back seat in copper, with the market ignoring stocks at 15-year highs and the lessening possibilities of stoppages in Peru and the US. Instead, nearby supply tightness helped the market move up into a new $1,930 to $1,950 range. Three-month **ALUMINIUM** was steady on the back of copper. Strong resistance is expected above current levels, but good support is emerging on dips, indicative of the recent slight improvement in sentiment. Three-month **NICKEL** recovered from the morning's six-year low of $4,850 a tonne to register a $37.50 gain on the day. But further advances will attract selling, as stocks are seen rising further following yesterday's 1,368-tonne increase to a record 100,392 tonnes. Chicago **WHEAT** was higher at midsession on concern about declines in crop production and quality following excessive wet weather in the Central Plains.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.63-4.71u	+0.340
Brent Blend (dated)	$17.20-7.23	+0.255
Brent Blend (Sep)	$17.07-7.09	+0.270
W.T.I (1 pm est)	$18.16-8.19u	+0.280

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$195-197	+1
Gas Oil	$162-163	
Heavy Fuel Oil	$59-61	
Naphtha	$164-166	+3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$391.5	-1.7
Silver (per troy oz)♣	$508.5	
Platinum (per troy oz)	$406.0	+2.0
Palladium (per troy oz)	$139.75	+0.5
Copper (US Producer)	90.5c	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.40m	-0.21
Tin (New York)	225.0c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	129.99p	-0.72*
Sheep (live weight)†♣	80.07p	-2.61*
Pigs (live weight)†	74.50p	-4.84*
London daily sugar (raw)	$240.2	-10.1
London daily sugar (white)	$261.0	-4.0
Tate and Lyle export price	£270.5	-7.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	£147.0	
Rubber (Sep)♥	59.00p	
Rubber (Oct)♥	59.50p	
Rubber (KL RSS No 1 Jul)	207.0m	
Coconut oil (Philippines)§	$485.0v	-2.5
Palm Oil (Malaysian)§	$387.5t	-2.5
Copra (Philippines)§	310.0c	
Soyabeans (US)	£210.5y	-3.0
Cotton "A" Index	58.40c	-0.35
Wooltops (64s Super)	348p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Aug/Sep u-Sep t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	254.30	255.50	257.00 254.00
Dec	256.50	257.60	259.80 257.10
Mar	259.10	260.30	262.00 259.20
Aug	267.90	269.00	269.00 268.00
Oct	256.40	260.50	260.00
Dec	259.40		262.00

White 1245 (1359) Paris- White (FFr per tonne): Oct 1509.09 Dec 1540.37

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Sep	17.07	16.93	17.19 17.01
Oct	17.14	16.95	17.21 17.05
Nov	17.21	17.04	17.28 17.13
Dec	17.30	17.17	17.37 17.23
Jan	17.40	17.27	17.47 17.33
Feb	17.46		17.48 17.36
Mar	17.45		17.45
Apr	17.50		17.50
May	17.54		17.54
IPE Index	16.80	16.60	16.80

Turnover 32636 (26251)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Aug	160.75	160.25	162.50 160.75
Sep	161.50	160.50	163.00 161.50
Oct	163.50	162.50	164.50 163.50
Nov	165.00	164.00	166.25 165.00
Dec	167.25	166.25	168.25 167.25
Jan	168.50	167.75	169.50 168.25
Feb	169.25	167.75	169.25

Turnover 7387 (8889) lots of 100 tonnes

JUTE

C and F Dundee; BTC $315, BWC $325, BTD $295, BWD $300. C and F Antwerp; BTC $305, BWC $305, BTD $280, BWD $260.

COTTON

LIVERPOOL- No spot or shipment sales were recorded for the week ended 23 July, against 42 tonnes in the previous week. Activity was severely restrained and business was on narrow lines. Cost of Raw cotton deterred users from increasing their purchases.

COCOA – LCE £/tonne

	Close	Previous	High/Low
Jul	738	743	749 736
Sep	748	752	758 744
Dec	760	762	770 758
Mar	775	778	786 774
May	785	788	796 784
Jul	795	799	803 798
Mar	827		826
May	838		837

Turnover: 2984 (3798) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Jul 26 761.86 (764.95) 10 day average for Jul 27 772.42 (772.64)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Jul	973	966	971 997
Sep	1002	992	1004 991
Nov	1007	1002	1011 1000
Jan	1000	998	1005 998
Mar	1001	995	1004 998

Turnover: 2305 (1162) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Jul 26 Comp. daily 60.97 (61.37) 15 day average 60.72 (60.40)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	85.7	87.1	86.2 85.6
May	94.8	96.5	96.0 95.0

Turnover 63 (87) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	181.50	181.00	
Dec	182.50	182.00	

Turnover - (20) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Aug	1300	1298	1305 1290
Oct	1370	1375	1370
Nov	1380	1390	1390 1380
Jan	1400		1400
Jul	1250		1250
BFI	1347	1348	1347

Turnover 76 (242)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	106.10		106.05 106.00
Nov	107.30	107.00	107.25 107.00
Jan	109.30	109.15	109.50 109.25
Mar	111.40	111.25	111.60 111.45
May	113.40	113.25	113.75 113.55
Barley	**Close**	**Previous**	**High/Low**
Nov	103.20	103.55	103.50
Jan	105.75		106.15 106.00
Mar	107.75		107.80 107.70
May	108.65	108.65	108.75

Turnover: Wheat 88 (118), Barley 33 (58). Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	100.7	101.3	101.3

Turnover: 2 (15)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 49,586 lots
Cash	1196.5-7.5	1196.5-7.5		1192-3		
3 months	1220-1	1220-1	1222/1214	1218.5-7.0	1221-2	233,844 lots
Copper, Grade A ($ per tonne)						Total daily turnover 41,298 lots
Cash	1949-50	1925-6		1924-5		
3 months	1948-9	1925-6	1950/1924	1926-7	1943-4	224,064 lots
Lead ($ per tonne)						Total daily turnover 3,350 lots
Cash	391.5-2.0	390-2	391.5	391.5-2.0		
3 months	405-5.5	403-5	405.5/404	405-5.5	405-5.5	23,934 lots
Nickel ($ per tonne)						Total daily turnover 8,988 lots
Cash	4865-70	4825-35		4835-40		
3 months	4920-5	4880-90	4925/4855	4897-8	4920-5	44,815 lots
Tin ($ per tonne)						Total daily turnover 2,463 lots
Cash	4885-90	4880-90		4865-7		
3 months	4935-40	4935-40	4940/4910	4920-1	4930-5	10,925 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,999 lots
Cash	915-6	923-4		916.5-7.0		
3 months	931-2	939-40	937/932	933.5-34.0	938-6.5	72,795 lots

LME Closing £/$ rate: SPOT: 1.4900 3 months: 1.4800 6 months: 1.4732 9 months: 1.4672

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	391.30-391.70	
Opening	392.80-393.20	
Morning fix	393.60	263.014
Afternoon fix	392.35	262.408
Day's high	393.70-394.10	
Day's low	390.80-391.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.67	6 months	2.70
2 months	2.68	12 months	2.75
3 months	2.69		

Silver fix	p/troy oz	US cts equiv
Spot	341.35	510.50
3 months	346.35	514.35
6 months	351.25	518.95
12 months	360.60	528.85

GOLD COINS

	$ price	£ equivalent
Krugerrand	390.00-393.00	261.00-263.00
Maple leaf	402.75-405.30	-
New Sovereign	92.50-95.50	62.00-64.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	32	61	3	16
1200	14	45	10	26
1225	4	33	25	37
Copper (Grade A)	**Calls**		**Puts**	
1900	56	91	6	46
1950	23	65	23	69
2000	6	44	56	98
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	153	165	1	8
900	106	124	4	17
950	65	89	13	32
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	34	61	11	26
750	19	46	21	36
775	10	36	37	51
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1700	35	60	25	42
1750	13	35	53	
1800	3	14		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	391.2	393.0	0	0
Aug	391.2	393.1	393.8	390.8
Sep	393.0	394.1	393.0	393.0
Oct	393.5	395.4	396.0	393.4
Dec	395.6	397.5	398.3	395.4
Feb	397.5	399.5	399.3	397.8
Apr	399.6	401.5	402.1	401.3
Jun	401.6	403.5	403.2	401.8
Aug	403.6	405.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	407.9	408.6	408.5	408.5
Oct	408.4	408.8	411.0	407.5
Jan	409.6	409.9	412.0	409.0
Apr	410.6	410.9	411.0	409.5
Jul	411.6	0	412.0	412.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	508.7	508.2	510.0	507.0
Aug	507.4	508.9	0	0
Sep	508.5	510.0	513.5	507.0
Dec	513.7	515.1	518.5	512.5
Jan	514.3	515.7	0	0
Mar	518.9	520.3	522.0	518.0
May	522.8	524.2	525.0	525.0
Jul	526.4	527.8	530.0	527.0
Sep	530.2	531.6	0	0
Dec	535.9	537.3	536.5	536.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	86.30	85.25	86.40	85.60
Aug	86.45	85.20	86.45	85.50
Sep	86.90	85.60	87.30	85.70
Oct	87.00	85.70	86.40	86.40
Nov	87.15	85.85	87.00	87.00
Dec	87.20	85.90	87.50	86.10
Jan	87.35	86.05	0	0
Feb	87.45	86.20	0	0
Mar	87.60	86.35	87.60	86.60
Apr	87.70	86.45	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	18.18	18.07	18.30	18.07
Oct	18.42	18.28	18.50	18.30
Nov	18.57	18.44	18.62	18.49
Dec	18.68	18.57	18.73	18.60
Jan	18.76	18.69	18.84	18.75
Feb	18.86	18.79	18.93	18.85
Mar	18.95	18.86	18.96	18.91
Apr	18.99	18.92	19.05	18.99
May	19.04	18.98	19.06	19.04
Jun	19.10	19.03	19.12	19.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	50.90	50.37	51.00	50.50
Sep	51.75	51.32	52.00	51.50
Oct	52.70	52.36	52.87	52.50
Nov	53.85	53.46	53.90	53.60
Dec	54.85	54.56	56.05	54.65
Jan	55.60	55.31	55.80	55.40
Feb	56.00	55.56	56.05	55.75
Mar	55.10	54.76	55.40	54.90
Apr	54.05	53.81	54.30	54.30
May	53.55	52.96	53.55	53.55

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	930	946	954	928
Dec	970	987	991	968
Mar	1004	1016	1022	1002
May	1025	1037	1039	1025
Jul	1045	1057	1050	1050
Sep	1065	1077	1073	1068
Dec	1088	1097	1090	1090
Mar	1109	1118	0	0
May	1127	1136	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	72.75	71.45	73.20	70.80
Dec	75.35	74.00	75.75	73.50
Mar	77.30	76.20	77.80	76.10
May	78.50	77.75	79.50	78.50
Jul	80.25	79.26	0	0
Sep	81.75	80.75	0	0
Dec	84.95	84.00	84.50	84.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.13	9.15	9.25	9.11
Mar	9.56	9.55	9.64	9.56
May	9.67	9.68	9.73	9.67
Jul	9.71	9.74	9.78	9.71
Oct	9.70	9.73	9.77	9.70

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	59.80	60.17	60.25	59.20
Dec	61.02	61.34	61.63	60.75
Mar	62.30	62.65	62.80	61.96
May	62.66	63.30	63.25	63.05
Jul	63.50	63.80	63.50	63.00
Oct	61.40	61.40	0	0
Dec	61.52	61.52	61.50	61.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	114.00	117.00	117.00	114.00
Nov	117.15	120.00	120.00	117.00
Jan	119.05	121.05	121.25	119.00
Mar	121.00	123.05	122.50	121.00
May	122.95	124.55	123.00	122.75
Jul	122.95	124.55	124.00	123.45
Sep	119.95	121.55	0	0
Nov	119.95	121.55	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jul.27	Jul.26	mnth ago	yr ago
1699.3	1709.2	1667.3	1549.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.26	Jul.23	mnth ago	yr ago
Spot	124.28	124.34	120.62	117.50
Futures	130.06	129.58	120.27	116.09

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	702/6	710/6	717/4	697/0
Sep	703/2	710/6	716/4	697/0
Nov	702/6	709/4	715/0	698/0
Jan	705/6	712/0	717/0	701/0
Mar	707/2	714/0	717/0	701/0
May	707/4	714/0	718/0	703/0
Jul	707/4	713/0	717/4	703/0
Aug	695/0	699/0	706/0	695/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.64	23.75	23.95	23.61
Sep	23.81	23.87	24.07	23.70
Oct	23.93	23.99	24.20	23.80
Dec	24.13	24.23	24.42	24.01
Jan	24.20	24.27	24.45	24.09
Mar	24.29	24.34	24.52	24.20
May	24.34	24.35	24.50	24.30
Jul	24.28	24.30	24.50	24.28

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	230.4	233.9	234.5	228.1
Sep	226.6	229.8	230.5	224.8
Oct	225.3	228.3	229.1	221.8
Dec	224.3	227.7	229.0	222.0
Jan	222.8	226.3	227.0	220.5
Mar	221.0	223.8	225.5	219.5
May	219.6	222.8	223.5	217.5
Jul	216.0	219.5	221.0	216.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	244/4	249/4	245/4	241/0
Dec	250/0	248/2	252/0	246/4
Mar	256/0	256/0	258/4	253/4
May	261/2	259/2	262/6	257/4
Jul	262/0	259/0	263/2	259/0
Sep	248/6	248/0	249/0	246/4
Dec	242/2	239/6	243/4	240/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	321/4	316/4	325/0	318/4
Dec	330/0	326/4	334/0	328/0
Mar	333/2	329/6	337/0	331/0
May	326/2	325/4	330/0	325/4
Jul	311/4	309/4	315/0	309/0
Sep	315/0	313/4	315/0	312/4
Jul	311/0	0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.875	74.675	74.900	74.575
Oct	74.625	74.525	74.750	74.300
Dec	75.375	75.375	75.500	75.200
Feb	75.600	75.600	75.800	75.525
Apr	76.550	76.775	76.725	76.500
Jun	73.650	73.675	73.850	73.625
Aug	72.300	72.500	72.750	72.600

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	48.000	47.700	48.200	47.600
Oct	45.250	44.875	45.450	44.550
Dec	46.200	45.875	46.400	45.725
Feb	46.675	46.300	46.675	46.075
Apr	45.200	44.925	45.200	44.600
Jun	50.025	49.700	50.100	49.500
Jul	48.950	48.600	49.150	48.400
Aug	47.600	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	43.425	43.075	43.450	42.225
Feb	51.450	50.800	51.575	50.200
Mar	51.000	50.050	51.250	50.000
May	52.200	51.500	52.200	51.400
Jul	51.625	51.625	0	0
Aug	52.600	52.500	0	0

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LONDON STOCK EXCHANGE

Bundesbank hopes spur equity gains

By Terry Byland,
UK Stock Market Editor

INTEREST rate optimism, focused on tomorrow's meeting of the Bundesbank policy council, drove the UK stock market ahead by nearly 36 points on the FT-SE 100 scale yesterday as investors hastened to buy stock in a securities sector suddenly devoid of sellers.

The FT-SE 100 Index closed at 2,879.4, up a net 35.2, and the September futures contract on the index came within a few points of the 2,900 area, regarded as the higher end of the current trading range. New peaks on Wall Street also encouraged UK equities in their recovery from the weakness of the past fortnight.

Equity strategists took the view that the Bundesbank will tomorrow make some move in the direction of lower rates. German inflation data, announced yesterday, were thought unlikely to block a rate cut, although there was some doubt over which of its key rates the German central bank would choose to change.

On the domestic front, a report from the Confederation of British Industry warned that export difficulties might limit growth but the UK Treasury stressed the signs of economic recovery. The likelihood that the UK government will suffer badly at Thursday's by-election in Christchurch, Dorset, appeared to have been well discounted in the stock market.

The corporate scene featured the announcement of plans by Pearson, owner of the Financial Times, to demerge its Royal Doulton fine china division and to sell, by public offering in New York, a majority interest in Camco, the oilfield equipment and services division.

With Reuters, the global news and information group, planning a £350m share buyback, investors were examining other blue chip companies which might make similar moves to unlock shareholder value.

The Footsie is now within 3 per cent of its all-time high of 2,957.3, reached on March 8, but strategists sounded unconvinced yesterday that this week's sharp rise in share prices is more than a technical recovery from a period of weakness. The FT-SE Mid 250 Index, the broader-ranging market measure, was also in good form yesterday, gaining 23.5 at 3,238.7, within 3 points of its all-time peak.

Trading volume rose sharply, boosted by heavy turnover in Pearson shares, as well as by strong demand for many Wall Street-orientated stocks, including oils and pharmaceuticals. Seaq volume jumped to 662.6m shares from the 483.6m of the previous session. Wednesday's Seaq volume reflected retail business of only £900.2m, the first time that genuine customer business has fallen below £1bn on any full trading session for many months.

Traders stressed that stock positions were tight yesterday and that share prices were forced higher by a general unwillingness to sell. The sudden reversal of market fortunes caught marketmakers in many leading sectors unawares.

Shares in the banking and pharmaceutical sectors could hardly be bought yesterday at prices some 30 per cent above levels at which they had been languishing barely 36 hours earlier.

Upward pressures on the blue chip internationals increased in late trading when Wall Street moved to fresh peaks early in its new trading session, adding nearly 9 Dow points in UK trading hours.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	3,900	63½	-½
Abbey National†	4,200	386	+3
Albert Fisher	500	82	-1
Allied-Lyons†	2,100	554	+10
Anglian Water†	351	474	+8
Argos	1,500	319	+4
Argyll Group†	4,500	303	+7
Arjo Wiggins†	1,800	181	+2
Assoc. Brit. Foods†	392	461	+2
Ass. Brit. Ports	385	415	
BAA†	1,800	758	+18
BAT Inds.†	3,300	449½	+2½
BET	1,900	120	+1
BICC	1,500	418	+18
BOC†	3,000	893	+1
BP†	5,900	299½	+5
BPB Inds.	4,400	217	+6
BT†	14,000	419	+2
BT (Pt Paid)	25,000	174	+1½
BTR†	6,000	377	+5½
Bank of Scotland†	925	155½	+2½
Barclays†	3,800	482	+8
Bass†	1,300	475	+4
Blue Circle†	1,000	255	+4
Booker	525	394	
Boots†	6,800	447	+5
Bowater†	2,200	464	+6
Brit. Aerospace†	3,300	412	+13
British Airways†	3,000	327	-2
British Gas†	7,000	298½	+5
British Land	323	345	+8
British Steel†	9,300	109½	+1½
Bunzl	893	123	
Burmah Castrol†	676	718	+7
Burton	4,600	74¼	-½
Cable & Wire.†	2,800	790	+16
Cadbury Schweppes†	1,500	456	+4
Calor Group	1,100	249	
Carlton Comms.†	1,100	742	+1
Coats Viyella†	5,800	236	+6
Comm. Union†	280	618	+4
Cookson	2,500	208	+1
Courtaulds†	1,500	531	+11

	Volume 000's	Closing Price	Day's change
Dalgety	865	444	+2
De La Rue†	426	868	+12
Dixons	2,800	211	-1
Eastern Elec.	383	492	+3
East Midland Elec.	1,500	475	+4
Eng China Clays	250	419	
Enterprise Oil†	443	445	+1
Eurotunnel Units	1,000	434	+27
FKI	82	150	
Fisons	2,000	170	+3
Foreign & Col. I.T.	2,700	836	+2
Forte†	2,400	219	-2
Gen. Accident†	1,700	648	+12
General Elec.†	3,800	341½	+2½
Glaxo†	4,400	548	+8
Glynwed Intl.	404	291	+1
Granada†	3,100	399	+8
Grand Met.†	4,900	412	+14
GUS A†	1,200	1870	+38
GRE†	1,000	189	+5
GKN	141	457	+2
Guinness†	3,100	445	+1
HSBC (75p shs)†	2,400	636	+2
Hammerson 'A'	303	330	+5
Hanson†	8,200	234	+4½
Harrisons Crosfield	199	177	+2
Hillsdown	885	130	
IMI	324	278	+3
ICI†	3,800	859	+5
Inchcape†	2,400	542	+14
Johnson Matthey	146	487	+5
Kingfisher†	2,300	609	+4
Kwik Save	132	685	-1
Ladbroke†	2,700	178	+1
Land Securities†	1,900	618	+12
Laporte	588	600	+7
Legal & General†	3,700	484	
Lloyds Abbey	2,000	402	-2
Lloyds Bank†	5,300	582	+15
LASMO	1,200	138	
London Elec.	1,800	501	-1
Lonrho	828	126½	+1½
Lucas	928	145	+1

	Volume 000's	Closing Price	Day's change
MB Caradon†	793	289	+1
MEPC	376	469	+9
MFI	1,300	136	+2
Manweb	703	544	+12
Marks & Spencer†	1,800	337½	-½
Midlands Elec.	857	517	+8
Morrison (Wm.)	768	137	-1
NFC†	540	232	+2
NatWest Bank†	3,200	489	+4
National Power†	2,900	357	
Next	1,400	177½	+1
North West Water†	1,100	484	-1
Northern Elec.	191	540	+8
Northern Foods†	884	282	+2
Norweb	745	543	+2
Pearson†	39,000	467	+27
P & O†	685	646	+8
Pilkington	4,800	140	+6
PowerGen†	1,900	381	+3
Prudential†	15,000	312	+7
RMC†	309	793	+12
RTZ†	972	673	+8
Racal	1,200	241	+7
Rank Org.†	1,900	725	+12
Reckitt & Colman†	249	548	-2
Redland†	1,800	486	+6
Reed Intl.†	1,100	657	+11
Rentokil†	1,200	197	+2
Reuters†	1,700	1444	+4
Rolls Royce	2,700	142	+1
Rothmans†	677	670½	+5½
Ryl Bk Scotland†	1,800	298	+4
Royal Insurance†	2,500	328	+6
Saatchi	615	183	+3
Sainsbury†	3,100	469	+2
Scottish & New.†	1,400	444	+12
Scot. Hydro-Elect.†	2,200	350	+5
Scottish Power†	2,000	329	+6
Sears†	11,000	98	+2
Sedgwick	414	200	+1
Seeboard	202	539	+9
Severn Trent Water†	1,700	476	+7
Shell Transport†	3,200	627½	+7½

	Volume 000's	Closing Price	Day's change
Siebe†	1,000	494	+9
Slough Ests	1,400	234	+7
Smith (W.H.) A	1,300	446	+2
Smith & Nephew†	1,300	143	+1½
SmithKline Beecham†	3,200	457	+9
SmKl Beecham Uts.†	1,400	408	+9
Smiths Inds.	870	351	-1
Southern Elec.	1,200	504	+5
South Wales Elect.	102	582	+3
South West Water	605	503	-2
South West. Elect.	342	503	+5
Southern Water	183	493	+3
Standard Chartd.†	337	830	+7
Storehouse	2,600	197	+8
Sun Alliance†	2,800	370	
T&N	1,300	198	+4
TI Group†	1,200	337	+3
TSB†	6,500	158½	+2½
Tarmac	4,300	137	+4
Tate & Lyle†	298	380	-1
Taylor Woodrow	2,800	114	+4
Tesco†	4,400	205	
Thames Water†	643	478	+3
Thorn EMI†	1,000	951	+4
Tomkins†	4,100	225	+4½
Trafalgar House	761	100	
Unigate	482	345	+2
Unilever†	3,700	970	+10
United Biscuits†	1,100	369	+3
Utd. Newspapers	348	534	+4
Vodafone†	2,200	453	+7
Warburg (SG)†	312	718	+2
Wellcome†	3,300	865	+25
Welsh Water	408	543	+3
Wessex Water	82	573	+3
Whitbread 'A'†	2,200	497	+2
Williams Hldgs.†	3,100	319	+4
Willis Corroon	1,100	222	+2
Wimpey	1,300	175	+3
Wolseley†	488	824	+1
Yorkshire Elect.	429	534	+8
Yorkshire Water	293	486	+1
Zeneca†	2,400	826	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Jul 19	Aug 2	Aug 16
Option Declarations:		
Jul 29	Aug 12	Sep 2
Last Dealings:		
Jul 30	Aug 13	Sep 3
Account Day:		
Aug 9	Aug 23	Sep 13

*New time dealings may take place from 8.30am two business days earlier.

Changes likely at Boots

RETAIL and drugs group Boots is believed to be considering savage cuts to its loss-making Do It All home improvement business and also entertaining offers for its pharmaceutical research division, according to analysts who attended a meeting with management on Monday night.

The possibility that such moves could bring a special one-off dividend payment to shareholders was also raised at the meeting, although a company spokesman yesterday denied that it was under active consideration.

Analysts expressed relief that tough action appeared to be under way at Do It All, which Boots runs in a joint venture with WH Smith. Boots indicated that it was considering closing around half of its 200 DIY stores, and implementing a substantial refurbishment programme in the remaining units to bolster its faltering market share. Even so, some stores sector specialists in the City believe Boots may yet reconsider its position in the DIY market if the necessary improvements are not forthcoming in six months time.

While the company said it remained committed to its drugs division, analysts said that privately the company was resigned to withdrawing from this area of business. Speculation that the company would make a disposal has grown following its withdrawal last week of Manoplax, its top-selling heart drug. Boots shares added 5 to 447p in another day's hefty turnover of 6.8m. Smith gained 2 to 446p.

Pearson sales

The move by Pearson, owner of the Financial Times, to concentrate on its media interests and demerge Royal Doulton, its fine china division, and Camco, its oilfield equipment and services arm, was well received in the stock market. Even the sale yesterday afternoon by Mr Rupert Murdoch of 16.48m Pearson shares, via a placing by Goldman Sachs, failed to hold back the share price, which rose 27 to 467p.

Royal Doulton will be listed on the London market later this year, while a majority interest in Camco will be offered in New York next year.

Although the demerger move took analysts by surprise, it was welcomed by market watchers, who are increasingly keen on moves by conglomerates to streamline assets. The fact that Mr Murdoch's shares were absorbed without difficulty at 464p was viewed as a sign that there was a healthy appetite for Pearson stock.

Trading in Pearson shares took the price to a day's high of 484p before they eased to the closing level. Turnover came to 39m shares.

The implications of Pearson's plans brought sympathetic demand for Reed International, which moved ahead 11 to 657p.

C&W in demand

Anticipation of a positive analysts' meeting tomorrow and an upgrade of profit expectations helped Cable and Wireless advance smartly. The shares jumped 16 to 790p.

Hong Kong Telecom, in which C&W has a majority stake, is addressing analysts over current trading and telecoms specialists expect to hear positive news over the group's trading. Also yesterday, UBS was said to have upgraded C&W, raising its EPS figure from 42.8p to 44.1p on the back of recent good trading news. Hoare Govett also renewed its positive recommendation.

Eurotunnel deal

Channel Tunnel operator Eurotunnel leapt forward after it said it had reached agreement on the completion of the work on the Tunnel with TransManche Link (TML), the construction consortium on the project.

The shares jumped 27 to 434p, in strong business of 1m shares, with the stock also heavily traded in Paris. However dealers had to wait until after the market close to hear further details about the agreement and the outlook for the company.

Several stocks benefitted from the positive news at Euro tunnel. These included BICC, one of the UK members of the TML consortium which had been a weak feature in recent sessions. The shares jumped 18 to 416p.

The news that the Government of Taiwan had formally approved Taiwan Aerospace's regional jets joint venture with British Aerospace, boosted trading in the UK group. The shares jumped 13 to 412p, with volume reaching 3.3m. Analysts in London expect the private sector in Taiwan will soon provide the rest of the necessary funding for the project.

Conglomerate Williams Holdings was said to have been boosted by a recommendation from Carr kitcat. The shares improved 4 to 319p.

Among motor stocks, a "buy" recommendation from Panmure Gordon helped T Cowie firm 6½ to 243½p, ahead of next week's interim figures. Also recommended was Lex Service, up 6 at 396p. Traders expect both companies to benefit from next month's UK new car registrations. The prospect of good August car sales saw Avon Rubber improve 11 to 505p.

Shell Transport gained 7½ to 627½p, with Kleinwort Benson reported to have urged investors to buy the stock. BP added 5 to 300p, after encouraging news from its subsidiary BP Exploration about drilling in the Wytch Farm oilfield in Dorset.

BZW moved Kingfisher from a buy to a hold, believing the stock to be overvalued after its recent good run. The stock clung to its early gains and closed 4 ahead at 609p.

There was good two-way business in Sears, with 11m shares traded and closing 2 to the good at 98p.

There were downgrades and rumours of more to follow in Guinness following the profits warning on Monday from LVMH. The French group, which has a 24.6 per cent cross-holding in Guinness, said it expected first-half profits to fall because of poor champagne sales.

Kleinwort Benson chopped £27m from its current year forecast to £947m. The shares climbed a penny to 445p.

The recent bid speculation in transport container group Tiphook all but faded. The shares were left trailing the market falling 12 to 235p, on strong profit-taking. British Airways was another casualty of profit-taking following its recent run. The shares bucked the market trend shedding 2 to 327p.

Improved full year figures at Stagecoach Holdings saw the shares harden 4 to 140p.

Evidence of movement in the direct property market is feeding through to positive sentiment in the property sector, according to one industry specialist. Already a firm sector, it is enjoying further boosts. British Land went ahead 8 to 345p; Hammerson Ord added 5 to 359p and MEPC moved up 9 to 469p.

US interest was reported in General Accident. The shares put on 12 to 648p.

Among banks, Lloyds Bank continued to be a strong feature ahead of interim figures on Friday. Shares in the bank added another 15 to 582p, extending the determined recovery in the stock seen since the beginning of the week.

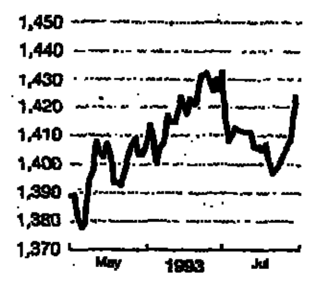
Shares in Reuters, the international news and information group, had a volatile ride as it published its interim figures. They traded strongly ahead of the company's announcement, which showed an improvement of 14.5 per cent in profits to £214.7m, in line with market expectations.

However, an unexciting accompanying statement saw earlier gains surrendered before confidence was restored in the last hour of trading following an upbeat meeting with analysts. The shares finished 4 ahead at 1444p, after good business of 1.7m shares.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

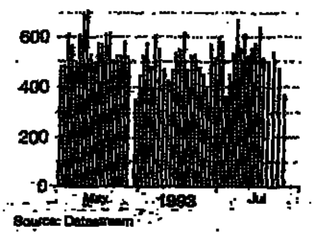
■ Other statistics, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business and overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	July 27	July 26	July 23	July 22	July 21	Year ago	* High	* Low
Ordinary share	2277.3	2254.2	2234.6	2228.3	2220.1	1785.6	2299.5	2124.7
Ord. div. yield	4.05	4.09	4.13	4.14	4.15	5.19	4.52	4.05
Earning yld % full	4.82	4.87	4.92	4.93	4.95	7.51	6.38	4.82
P/E ratio net	26.54	26.28	26.04	25.95	25.87	16.76	26.57	19.40
P/E ratio nil	24.52	24.28	24.06	23.97	23.90	15.60	24.60	18.14
Gold Mines	225.5	214.9	218.4	210.8	218.1	91.5	238.3	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2257.6	2264.3	2265.3	2268.3	2265.7	2266.9	2269.8	2271.7	2276.9	2277.3	2257.6

Volume	July 27	July 26	July 23	July 22	July 21	Year ago
SEAQ Bargains	31,167	25,503	24,894	24,427	25,990	18,008
Equity Turnover(£m)†	-	900.2	1220.4	1266.9	1327.1	817.0
Equity Bargains†	-	29,063	28,933	30,573	31,458	20,373
Shares traded (mil)†	-	373.4	474.8	538.8	500.5	356.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2879.4 +35.2 | **FT-SE MID 250** 3238.7 +23.5 | **FT-A ALL-SHARE** 1424.54 +14.99

	Jul 27	Day's change %	Jul 26	Jul 23	Jul 22	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2879.4	+1.2	2844.2	2827.7	2820.1	2373.4	3.97	5.86	21.25	54.89	1036.37
FT-SE Mid 250	3238.7	+0.7	3215.2	3202.9	3200.5	2303.5	3.73	6.01	20.65	58.74	1159.00
FT-SE Mid 250 ex Inv Trusts	3250.7	+0.7	3227.0	3216.1	3214.7	2317.7	3.84	6.43	19.48	61.30	1159.08
FT-SE-A 350	1439.0	+1.1	1423.0	1415.4	1412.2	1149.7	3.92	5.89	21.11	27.15	1061.76
FT-SE SmallCap	1635.57	+0.1	1633.45	1631.84	1631.92	-	3.48	4.19	33.52	25.35	1224.27
FT-SE SmallCap ex Inv Trusts	1632.54	----	1632.28	1631.86	1632.41	-	3.69	4.82	31.40	26.76	1223.19
FT-A ALL-SHARE	1424.54	+1.1	1409.55	1402.39	1399.44	1133.89	3.89	5.79	21.60	26.59	1069.94
1 CAPITAL GOODS(214)	1020.15	+1.0	1009.74	1007.01	1003.07	726.27	3.90	4.15	32.07	21.04	1197.43
2 Building Materials(28)	1077.88	+1.4	1063.31	1054.17	1046.64	769.13	4.34	3.61	39.00	21.28	1245.14
3 Contracting, Construction(29)	937.03	+1.0	928.17	927.43	923.99	636.07	3.51	1.40	80.00†	14.25	1293.78
4 Electricals(15)	3037.62	+2.2	2971.42	2956.99	2948.60	2212.88	4.44	4.85	26.41	66.90	1224.30
5 Electronics(38)	2821.39	+0.6	2804.88	2787.32	2776.88	1876.33	3.07	5.92	20.82	61.50	1234.56
6 Engineering-Aerospace(7)	421.63	+1.3	416.42	414.84	410.41	294.30	3.50	‡	‡	8.81	1455.84
7 Engineering-General(48)	586.95	+0.6	583.25	582.00	580.42	450.33	3.69	6.09	20.32	11.06	1172.45
8 Metals & Metal Forming(10)	443.17	+0.9	439.32	438.68	436.49	288.85	2.47	‡	‡	6.06	1398.41
9 Motors(20)	426.39	+0.9	422.50	423.25	422.51	307.30	5.10	4.38	32.00	9.86	1167.60
10 Other Industrials(19)	2122.02	+1.2	2097.88	2101.57	2097.48	1556.87	4.25	5.34	22.44	50.05	1093.55
21 CONSUMER GROUP(236)	1609.97	+1.0	1593.51	1581.05	1574.88	1526.13	3.58	6.97	17.48	26.44	934.04
22 Brewers and Distillers(30)	1849.53	+1.3	1825.20	1827.53	1825.81	1855.44	3.88	8.39	14.40	41.82	805.41
25 Food Manufacturing(22)	1269.14	+0.7	1260.76	1247.56	1246.06	1167.85	4.01	7.74	15.57	27.47	878.76
26 Food Retailing(17)	2799.40	+0.4	2788.05	2738.35	2713.78	2720.63	3.34	9.24	13.42	47.61	876.08
27 Health & Household(30)	3321.17	+1.7	3265.52	3229.28	3203.07	3758.02	3.70	6.60	17.71	43.19	789.15
29 Hotels and Leisure(20)	1332.11	+0.4	1326.35	1321.79	1329.25	1090.08	4.47	6.34	19.74	36.08	1066.23
30 Media(33)	2002.03	+1.1	1979.79	1962.74	1962.15	1433.39	2.59	5.06	23.96	28.36	1111.54
31 Packaging and Paper(24)	840.53	+0.7	834.56	827.48	817.65	720.47	3.50	5.72	21.51	13.84	1093.39
34 Stores(39)	1170.84	+0.7	1162.55	1154.77	1150.17	973.84	3.07	5.92	21.68	18.39	1024.10
35 Textiles(20)	791.69	+1.1	782.99	785.49	783.37	610.14	3.86	6.06	20.59	14.90	1078.05
40 OTHER GROUPS(141)	1512.54	+1.0	1498.08	1494.32	1489.48	1181.79	4.25	7.23	16.77	27.79	1071.43
41 Business Services(27)	1596.60	+1.5	1573.68	1580.63	1580.70	1224.83	2.88	7.36	15.51	21.29	1082.94
42 Chemicals(23)	1513.87	+0.7	1502.86	1499.95	1494.12	1296.50	4.34	0.30	‡	35.15	1087.61
43 Conglomerates(11)	1433.71	+1.6	1411.22	1409.46	1417.33	1178.78	5.34	7.59	14.86	29.85	1058.34
44 Transport(15)	2988.12	+1.1	2966.06	2951.95	2930.95	2195.83	3.85	5.07	24.93	53.82	1104.89
45 Electricity(16)	1820.79	+0.9	1804.24	1791.61	1780.98	1287.44	4.32	12.23	10.15	52.22	1197.78
46 Telephone Networks(4)	1789.88	+0.9	1773.14	1764.38	1754.87	1351.29	3.79	5.85	21.07	8.19	1085.89
47 Water(13)	3242.33	+0.5	3225.16	3222.02	3233.02	2729.07	5.47	13.63	8.10	106.71	1031.78
48 Miscellaneous(32)	2351.59	+0.6	2337.69	2344.40	2331.98	1931.83	4.39	7.14	16.69	49.93	989.35
49 INDUSTRIAL GROUP(590)	1443.41	+1.0	1428.98	1421.85	1416.62	1215.88	3.87	6.47	18.99	26.68	1025.51
51 Oil & Gas(18)	2484.69	+1.4	2449.29	2439.50	2414.32	1848.00	4.40	5.63	22.52	48.05	1130.93
59 "500" SHARE INDEX(608)	1535.62	+1.1	1519.55	1512.14	1505.48	1276.61	3.93	6.38	19.32	28.54	1036.18
61 FINANCIAL GROUP(90)	1075.15	+1.2	1062.79	1058.85	1067.05	681.68	3.96	3.47	42.91	21.70	1257.63
62 Banks(9)	1464.79	+1.2	1447.92	1431.49	1434.22	918.53	3.68	4.22	32.61	28.48	1255.74
65 Insurance (Life)(6)	1921.91	+1.0	1901.32	1928.87	2052.13	1409.48	4.65	5.00	25.18	47.49	1117.37
66 Insurance (Composite)(7)	702.10	+1.3	693.41	693.28	708.79	424.20	4.43	‡	‡	15.80	1146.37
67 Insurance Brokers(10)	914.76	+0.8	907.57	896.69	893.17	752.21	3.96	5.49	25.65	16.62	1208.08
68 Merchant Banks(6)	697.82	+1.0	691.06	685.86	687.45	428.23	3.22	6.53	19.00	12.33	1418.98
69 Property(29)	951.92	+1.5	937.42	936.49	931.22	580.63	4.27	4.22	31.55	18.64	1521.99
70 Other Financial(23)	400.04	+0.6	397.64	394.97	395.87	231.32	4.16	5.45	24.56	7.06	1351.28
71 Investment Trusts(110)	1555.03	+0.7	1544.01	1533.38	1529.14	1075.77	2.83	2.10	47.69	20.39	1180.82
99 FT-A ALL-SHARE(808)	1424.54	+1.1	1409.55	1402.39	1399.44	1133.89	3.89	5.79	21.60	26.59	1069.94

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2852.3	2860.9	2862.2	2868.0	2867.0	2868.0	2873.3	2873.8	2878.9	2880.1	2852.3
FT-SE Mid 250	3217.3	3220.3	3222.7	3228.0	3231.2	3231.8	3232.9	3236.1	3238.4	3238.9	3217.3
FT-SE-A 350	1428.4	1430.0	1430.8	1432.6	1433.4	1433.9	1436.0	1436.5	1438.2	1438.2	1428.4

Time of FT-SE 100 high: 3.54pm low: 8.30am

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	Change
Construction	1812.6	1812.8	1812.8	1813.8	1812.8	1814.5	1815.7	1821.2	1837.0	1838.0	1812.6	+25.4
Health & H	983.1	987.6	990.8	992.5	993.9	994.2	997.4	996.4	1000.3	998.8	982.7	+17.1
Water	1329.4	1329.4	1330.7	1335.2	1342.8	1341.3	1342.1	1338.3	1337.6	1337.6	1330.4	+7.2
Banks	1767.2	1771.1	1773.8	1775.8	1773.4	1778.8	1778.0	1779.9	1782.2	1780.4	1760.9	+20.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)							
Funding 6pc 1993‡‡		100	—	100¼	99[illegible]	6.00	[illegible]
[illegible]							

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (160).
BRITISH FUNDS (9) Tr. 3pc 1966 Alt., Tr. 2½pc I-L 2009, Tr. 2½pc I-L 2011, Tr. 2½pc I-L 2013, Tr. 2½pc I-L 2016, Tr. 2½pc 2020, Tr. 2½pc I-L 2024, Tr. 4⅛pc I-L 2030, OTHER FIXED [illegible]

[illegible] Pancontl., PosGold, Southvaal, Waverley Min. Fin, Western Areas.
NEW LOWS (23).
AMERICANS (1) Data Gen., CHEMS (1) Caird Pf. 2008, ELECTRICALS (1) Maddox, ELECTRONICS (1) Linx Printing, FOOD MANUF (1) Perkins, HEALTH & HSEHOLD (5) Brit. Bio-Tech., Intercare, Tamaris, HOTELS & LEIS (2) Eurocamp, First Leis., INV TRUSTS (1) Environmental, MEDIA (1) EMAP, MTL & MTL FORMING (1) Johnson & Firth, MISC (2) Applied Holographic, Lambert Howarth, OTHER INDLS (3) AAF, Scapa, PACKG, PAPER & PRNTG (3) Clondalkin, Microgen, St. Ives, STORES (3) Alexon, Pentos, QS.

EQUITY FUTURES AND OPTIONS TRADING

HIGHTENED hopes for a German interest rate cut at tomorrow's Bundesbank council meeting prompted a squeeze and fuelled a strong performance in stock index futures, writes Christine Buckley.

Dealers, anxious not to be caught short should their interest rate cut hopes come true, moved back into the September contract on the FT-SE 100. The interest boosted volume to 12,150 contracts, only a little short of double the previous day's amount.

The appeal of the contract was bolstered by its healthy premium to the cash market, which at times touched a lead of 20 points. It finished 10 points ahead of its fair value premium to cash.

Increased volume in the cash market also stimulated interest in futures.

The contract opened at 2,867 and gave up only a point in early trading before pushing steadily up. The day's high came in the last half-hour when it reached 2,897 and a little selling brought it back to a close of 2,894.

The December contract finished at 2,904.

Investor interest was mixed, coming from large institutions and independent traders.

Traded options saw active trading with volume up to 36,760 lots.

Equity options business was stimulated by today's expiry of the July option. The most heavily traded stock was British Steel at 4,688.

CROSSWORD

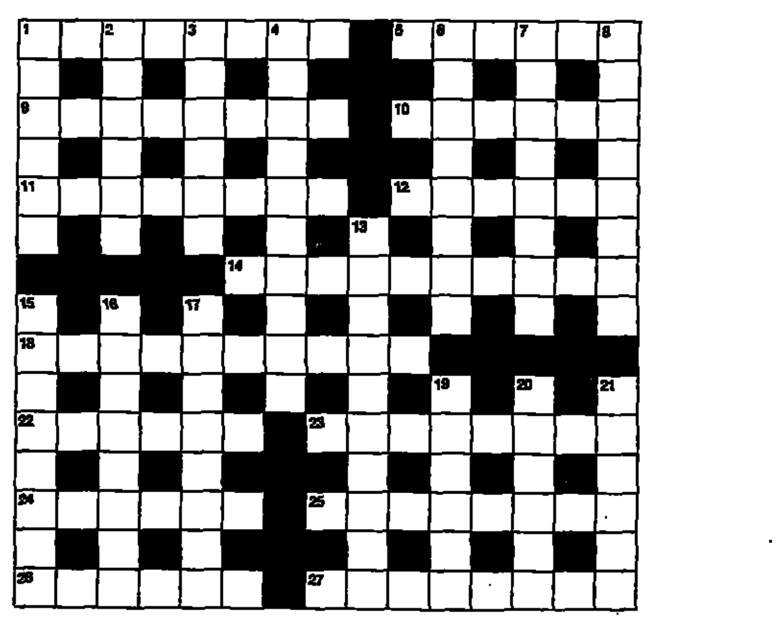
No.8,213 Set by QUARK

ACROSS

1 Note chap rebuilding monument (8)
5 This clue is, for example, a burden (6)
9 Rum a mite odd – not fully aged? (8)
10 Jail bird put inside first (6)
11 Professional's life, endlessly in charge, providing successful results (8)
12 Relating to city (eastern) characterised by sophistication (6)
14 Fielder to master troublesome air following behind (10)
18 One in the middle of the property market (5,5)
22 Once a drip, one's become quite solid (6)
23 Mac's annoyed with English – too lethargic (8)
24 Train a group of porpoises (6)
25 To begin with the vessel's the main item (4,4)
26 Squeezed into little space, Welsh provided a border (6)
27 Imposing personality's gifts, we hear (8)

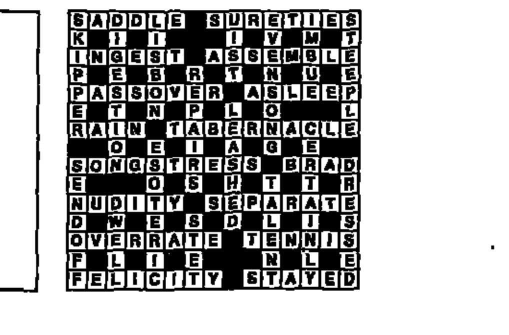
DOWN

1 Apes those misbehaving after church (6)
2 Hunter of game with fishing equipment (6)
3 Dainty bird on a small coin (6)
4 Peer is perplexed about standard banter (10)
6 Prisoner's hackneyed "full of regret" (8)
7 Ring girl, married, showing exaggerated respect (8)
8 Cake appears to Spooner as evidence of the light (8)
13 Treat with drinks turning up at the top? One gives good account of party (4,6)
15 It's continuously cutting teeth (5,3)
16 Quip I cast off could have been abused (8)
17 Spring performed ? A word of encouragement (4,4)
19 Mother's doctor with a second port (6)
20 Regular article in "The Post"? (8)
21 Highly spirited meeting? (6)



JOTTER PAD

Solution 8,212



LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17$\frac{1}{16}$xd	-$\frac{1}{16}$	20$\frac{7}{16}$	15$\frac{13}{16}$	14,380	2.5
Allegheny & W ♥	610p	—	652p	399p	320.1	3.1
Amdahl	343p	-6	691p	302$\frac{1}{4}$p	395.2	0.9
Amer Cyanamid	35$\frac{1}{2}$	-$\frac{1}{8}$	38$\frac{5}{8}$	31$\frac{1}{4}$	3,200	2.9
Amer Express	22xd	+$\frac{1}{4}$	22	14$\frac{7}{8}$	10,587	2.9
Amer T & T	43$\frac{1}{4}$xd	+$\frac{1}{4}$	43$\frac{1}{4}$	33$\frac{1}{8}$	57,517	1.9
Ameritech	52$\frac{5}{8}$	+$\frac{13}{16}$	54$\frac{1}{2}$	46	23,041	4.4
BankAmerica	29$\frac{7}{8}$xd	+$\frac{1}{2}$	38$\frac{1}{16}$	27$\frac{1}{8}$	10,414	2.9
Bankers NY	60$\frac{7}{8}$xd	+$\frac{1}{8}$	52$\frac{1}{8}$	42$\frac{5}{8}$	4,083	3.9
Bell Atlantic	39$\frac{5}{8}$	+$\frac{1}{4}$	39$\frac{5}{8}$	32$\frac{1}{4}$	17,214	4.3
BellSouth	38$\frac{1}{8}$	+$\frac{13}{16}$	39$\frac{3}{4}$	32$\frac{7}{8}$	18,833	4.6
Bethlehem Steel ♥	12$\frac{1}{2}$xd	+$\frac{1}{4}$	13$\frac{1}{4}$	10	1,131	-
Bowater	1349pxd	+41	1682p	1287p	487.7	1.9
CPC	27xd	-$\frac{1}{16}$	34$\frac{5}{8}$	26	4,089	3.0
California Engy	1234p	—	1479p	1086p	224.7	-
Chase Manhattan	21$\frac{7}{16}$xd	+$\frac{1}{16}$	24$\frac{1}{2}$	17$\frac{7}{8}$	3,346	3.6
Chrysler	29$\frac{1}{8}$xd	-$\frac{1}{8}$	32$\frac{1}{8}$	21$\frac{1}{4}$	6,768	1.3
Citicorp	21$\frac{5}{8}$xd	+$\frac{1}{8}$	21$\frac{5}{8}$	13$\frac{7}{16}$	7,905	-
Colgate-Palm	33xd	-$\frac{1}{16}$	46$\frac{5}{8}$	32$\frac{7}{16}$	6,289	2.7
Cont'l Bank	1607p	+17	1877p	1278p	1,613	2.4
Dana	38$\frac{7}{8}$xd	+$\frac{1}{16}$	39$\frac{7}{8}$	29$\frac{13}{16}$	1,693	2.7
Data General	577p	-5	951p	577p	158.2	-
Decora Inds ♥	130p	—	146p	109p	—	-
Dun & Brad	40$\frac{1}{4}$	—	42$\frac{1}{8}$	37$\frac{1}{8}$	7,174	3.9
Eaton h	29$\frac{1}{4}$	+$\frac{1}{8}$	31$\frac{1}{16}$	25$\frac{5}{16}$	2,069	2.3
Echlin	19$\frac{13}{16}$xd	-$\frac{1}{16}$	20$\frac{1}{2}$	15$\frac{1}{16}$	1,135	2.2
FPL	25xd	—	27$\frac{5}{8}$	23$\frac{1}{4}$	4,723	6.0
Ford Motor	35$\frac{1}{16}$xd	+$\frac{7}{16}$	36$\frac{1}{2}$	28$\frac{7}{16}$	17,175	1.8
Gen Elect	65$\frac{7}{8}$xd	+$\frac{13}{16}$	67$\frac{1}{8}$	53$\frac{7}{8}$	98,259	2.4
General Host ♥	543p	-6	723p	513p	–	4.1
Gillette	34$\frac{1}{8}$xd	-$\frac{1}{16}$	42$\frac{5}{8}$	31$\frac{7}{16}$	7,383	1.5
Hasbro	20$\frac{7}{8}$	—	20$\frac{7}{8}$	20$\frac{7}{8}$	1,819	0.7
Honeywell	23$\frac{5}{8}$xd	-$\frac{13}{16}$	26$\frac{1}{2}$	20$\frac{13}{16}$	3,228	2.4
Houston Inds	30$\frac{1}{2}$	+$\frac{1}{2}$	33$\frac{1}{4}$	28$\frac{1}{4}$	3,950	6.2
Ingersoll-Rand	22$\frac{1}{2}$xd	+$\frac{1}{4}$	25	19$\frac{1}{8}$	2,350	2.0
Lockheed	44$\frac{1}{4}$	+$\frac{1}{8}$	45$\frac{1}{8}$	35$\frac{1}{8}$	2,745	3.0
Lowe's h	2525p	+31	2581p	1573p	1,842	0.7
Malvy Technology	159p	+5	208p	127p	–	-
Merrill Lynch	57$\frac{1}{2}$xd	+1$\frac{1}{8}$	57$\frac{13}{16}$	37	5,909	1.3
Morgan (JP)	47xd	+$\frac{1}{16}$	49$\frac{1}{16}$	38$\frac{1}{4}$	9,005	3.2
Morris (Philip)	31$\frac{1}{4}$xd	-$\frac{1}{16}$	52$\frac{5}{8}$	28$\frac{13}{16}$	27,331	5.3

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

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FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

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INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

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MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

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OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

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STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Glencar Expl ℞ ‡‡	11	—	12	6	2.03	–
Greenwich Res ♣☐	18	—	22¼	5	14.0	–
Hemlo Gold C$	97½	+½	97¾	23½	725.7	1.2
Ivernia West ℞ ‡‡☐	43	—	57	31	21.8	–
Kells Minis ℞ ‡‡	13	—	13	6	0.31	–
Kenmare ♣☐	9	—	13½	6	9.01	–
Malinga Res	11	—	25½	10	1.21	–
Navan Res ℞ ♣	88	—	100	25	15.8	–
5pc Ln Notes	86½	—	94¾	25	15.6	–
Oryx Gold	76⅜	—	76⅜	47	–	–
‡‡Ovoca Res ℞	7	—	7½	3½	0.48	–
RTZ ♣N☐	673	+8	709	607	6,852	3.9

For Vizcaya see Premier Land under PROPERTIES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT1632. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
61 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund Americas	5	154.2	156.8	166.8	+0.80	0.00
AIB Grofund Equity	5	205.1	208.2	222.3	+1.00	1.59
AIB Grofund Euro	5	167.9	169.8	178.5	+1.90	0.12
AIB Grofund Ext Balanced	3	100.3	102.3	106.6	-0.50	2.28
AIB Grofund Gilt	3	79.40	79.42	81.88	+0.08	4.94
AIB Grofund Japan	5	176.6	177.1	186.5	+0.59	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	425.9	427.4	454.7	+3.0	2.48
General Acc	5	467.3	468.9	498.3	+3.5	2.48
UK Growth Acc	6	310.2	314.3	334.4	+2.4	2.74
UK Growth Inc	6	219.8	222.7	237.0	+1.6	2.74
Higher Inc Acc	6	571.8	579.9	617.0	+3.8	3.71
Higher Inc Inc	6	347.4	352.3	374.8	+2.3	3.71
Gilts/Fxd Int Acc	5½	178.7	178.7	188.7	-0.3	6.06
Gilts/Fxd Int Inc	5½	93.66	93.66	98.92	-0.18	6.06
Nth America	6	248.5	249.3	265.3	-2.5	0.00
Far East	6	302.4	302.4	321.7	+1.8	0.28
Europe	6	228.6	228.4	243.0	+3.2	0.98
Brit Excel	6	63.31	63.31	67.36	+0.49	2.78
Brit Fndmtls Acc	6	87.61	88.83	94.60	+0.5	4.66
Brit Fndmtls Inc	6	67.98	68.92	73.32	+0.4	4.66
Global Opps	6	73.01	73.01	77.67	+0.72	0.14
Balanced Acc	6	47.81	48.09	51.16	+0.28	2.73
Balanced Inc	6	47.51	48.09	51.16	+0.28	2.73

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	131.8	131.8	139.7	+0.1	5.73
High Inc Equity	6	147.2	149.6xd	158.4	+0.6	4.94
Worldwide Bond	6	268.9	268.9	285.0	+1.1	3.68
American Growth	6	289.0	289.0	309.0	+2.0	.94
Asian Pacific	6	233.6	236.7	253.9	-0.1	.32

Brown Shipley UT Mngrs (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412282

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Pftolio Inc	6	94.29	94.29	100.4	+0.40	1.98
Mngd Pftolio Acc	6	178.2	178.2	189.6	+0.78	–
UK General	6	157.0	157.0	168.0	+0.59	2.89
European Inc	6	22.06	22.06	23.77	+0.20	0.47
European Acc	6	22.81	22.81	24.55	+0.20	–
Financial	6	131.5	131.5	140.0	+0.80	2.99
Foundation	6	75.70	77.96	83.02	+0.09	3.21
German	6	42.89	42.89	45.88	+0.45	0.09
Growth Inc †(5-1)	5	27.96	27.96	29.83	+0.13	2.05
Growth Acc †(5-1)	5	32.99	32.99	35.20	+0.16	–
High Income	6	72.16	73.16xd	77.80	+0.17	6.75
Income	6	127.7	130.0	138.1	+0.10	3.65
Intl Income	6	94.78	94.78xd	100.8	+0.30	4.64
Intl Growth ♣	6	34.78	34.78	37.04	+0.15	0.21
Monthly Income	6	72.45	74.39	79.58	+0.18	4.02
North American	6	105.2	105.2	112.1	-0.60	0.19
Orient ♣	6	134.3	134.3	144.7	+1.16	–
Recovery	6	40.23	41.84	44.98	-0.10	2.49
Smaller Cos Acc	6	292.4	306.6	330.3	+1.78	–
Smaller Cos Inc	6	170.1	177.3	192.0	+1.00	1.13

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	189.4	189.4	194.4	+2.3	3.96

For Buckmaster see Credit Suisse

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	66.99	66.99	67.90	+0.06	5.72

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061-837 5060

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Environ	6	131.6	134.7xd	143.3	+0.6	1.83
UK Growth	6	145.3	147.2	156.6	+0.6	2.19
UK Income	6	123.2	124.6	132.6	+0.3	4.20

For CS Fund Mngrs see City Financial UT

Canada Life Unit Tst Mngrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 651122

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	6	165.4	169.2xd	178.3	+1.3	2.02

Dealing: 0277 261010. Enq: 0903 204631

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth ♣	6	65.79	66.13	70.35	+0.53	0.67
High Income	5	268.3	271.6	288.9	+1.1	4.61
(Accum Units)	5	465.4	471.4	501.4	+1.9	4.61
Intl Bond	5	68.69	68.69	70.10	+0.05	5.58
Intl Equity Growth ♣	5	62.31	62.37	66.35	+0.31	0.66
North American Growth	5	91.04	91.41	97.24	+0.4	0.74
Special Sits Growth	5	19.19	19.50	20.74	+0.02	1.93
UK Growth	5	328.2	330.7	351.8	+1.2	2.72
(Accum Units)	5	413.5	416.6	443.3	+1.6	2.72

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062-082 5867

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1184.7	1184.7	1197.5	—	3.7

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	128.0	128.0	132.6	—	4.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF						081-663 3003
European Trust	6	51.41	52.52	55.67	+0.39	1.06
Far Eastern Tst	6	63.68	64.59	68.72	+0.24	0.41
Smaller Cos	5	156.1	161.5	171.8	+0.8	1.51
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS.						071-637 5377
S & W American	5	284.6	285.2	289.5	+0.4	0.76
S & W Capital	5	118.8	118.8	127.5	+0.6	1.87
S & W Cash	0	101.53	101.53	101.63	-0.03	5.30
S & W European	5	113.8	113.6	120.1	+0.6	0.96
S & W Far Eastern	5	149.1	150.4	159.1	-0.5	0.60
S & W Growth	5	124.5	126.4	133.7	+0.6	1.39
S & W Income	5	115.6	116.9	123.7	+0.4	4.64
S & W Magnum	5	123.8	123.8	132.8	+0.4	1.64
S & W Smlr Secs	5	319.8	327.0	346.0	+0.1	0.48
S & W Thoroughbred	5	145.2	145.2	156.1	+0.0	1.57
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth						0202 298422
Cash	1	49.88	49.89	50.39	—	5.3
Capital Fdnmce	5½	58.73	57.07	60.87	+0.08	7.7
Ethical	5½	52.49	53.46	56.89	+0.71	3.9
European Growth	5½	59.31	59.71	63.69	+0.74	2.8
Income	5½	62.76	63.22	58.76	+1.16	5.6
Intl Growth	5½	81.84	82.17	87.64	+0.83	2.9
Managed	5½	69.86	70.63	75.33	+0.56	3.6
UK Growth	5½	56.55	57.15	60.96	+0.29	4.4
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ						0800 393777
Managed Acc	5¼	43.98	43.98	46.71	+0.2	1.65
UK Equity Gth Acc	5¼	58.84	59.60	63.89	+0.3	1.43
UK Eq High Inc Inc	5¼	35.30	35.38	37.51	—	3.89
UK Eq High Inc Acc	5¼	41.92	41.92	44.64	+0.1	3.89
UK Equity Gen Acc	5¼	53.51	54.50	57.91	+0.3	2.28
UK Equity Gen Inc	5¼	40.52	41.27	43.85	+0.3	2.29
UK Larger Cos Acc	F 7¾	368.4	371.3	402.9	+2.3	3.78
UK Larger Cos Inc	F 7¾	281.4	285.1	309.4	+1.7	3.78
Gilt & Fxd Int Inc	5¼	31.35	31.44	33.26	+0.1	8.25

	Bid Price	Offer Price	+ or -	Yield Gross
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£678.95	628.21	+0.88	1.58
Gen Exempt	£153.90	157.41	+0.56	3.30
Jap Exempt	£814.22	825.23	-1.44	1.04
Pacific Exempt	£153.17	157.04	+0.48	1.58
Contl Euro Exempt	£121.92	124.00	+0.36	2.36
Foreign & Colonial Unit Management Ltd				
Balanced Acc Jul 20	189.8	193.2	-0.4	3.38
Balanced Inc Jul 20	182.6	180.7	-0.4	3.38
Latin American Acc Jul 21	107.0	108.2	-0.04	1.58
Funds in Court*				
Capital Jul 23	548.35	550.47	—	3.78
Gross Jul 23	205.54	207.19	—	10.18
High Yield Jul 23	338.25	340.95	—	7.64
* Restricted to monies under Court control				
Govett (John) Unit Mngmt Ltd				
Managed Exempt	110.10	113.81	+0.30	3.60
Henderson Unit Trust Management Ltd				
Pensions Mngd	82.56	83.83	+0.39	2.81
Henderson TR				
Ex European	1337.93	1346.27	+13.42	1.50
Ex Nth American	1401.47	1413.37	+3.55	1.04
Ex Pacific Basin	954.18	970.80	+2.48	0.72
Ex Smaller Cos Inc	1958.97	2001.85	-1.02	2.34
Ex Smaller Cos Acc	2468.89	2505.41	-1.10	2.34
INVESCO Asset Management Ltd				
Exempt Funds				
Asia & Australasia	£3.1839	3.2580	—	—
Japan	£2.2429	2.2540	—	—
Intl Mngd PFolio1(1000-1)	£1.5470	1.6466	—	—
Mngd Pens (Acc)	£0.8805	0.9356	—	—
North American	£2.5316	2.5580	—	—
Smaller Companies	£1.4330	1.4870	—	—
UK Core	£1.0210	1.0860	—	—

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd - Contd.				
Alpha Pension Funds				
UK Alpha		230.8	+1.1	-
US Alpha		123.2	+0.9	-
Gilt Alpha		87.9	+0.1	-
Gold Alpha		98.1	+3.7	-
Japan Alpha		45.8	+0.2	-
US Dollar Alpha		76.5	+0.1	-
Yen Alpha		82.5	+0.1	-
DM Alpha		85.2	+0.2	-
European Alpha		89.8	+0.7	-
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Range (Pensions)				
Managed Fund		157.7	+0.6	-
Provident Mutual Life Assc. Assn.				
8 Hills Way Stevenage Herts SG1 2ST 0438 732000				
Managed Ord	422.4	444.6	+2.4	-
Managed Init	297.7	313.4	+1.7	-
Equity Ord	[illegible]	[illegible]	+4.5	-
Equity Init	443.9	467.3	+3.2	-
Index Linked Gilt Ord.	197.8	208.2	+0.1	-
Index Linked Gilt Init	145.6	153.3	-	-
Overseas Equity Ord	341.2	359.2	+2.8	-
Overseas Equity Init	240.5	253.2	+2	-
Property Ord	229.7	241.8	+0.1	-
Property Init	161.9	170.4	-	-
Fixed Interest Ord	267.6	281.7	-0.1	-
Fixed Interest Init	188.6	198.5	-0.1	-
Deposit Ord	197.4	207.8	-	-
Deposit Init	139.1	146.4	-	-
Pension Funds				
Managed Ord	558.7	588.1	+4	-
Managed Init	393.8	414.5	+2.8	-
Equity Ord	860.6	905.9	+7.8	-
Equity Init	606.5	638.4	+5.3	-
Pen Ind Lkd Gilt Ord	225.4	237.3	+0.1	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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Hill Samuel Fund Mgrs - Contd.

Intnl. Bond Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed	3½	£11.78	11.78	12.31	----	7.62
US Dollar Managed	3½	$13.67	13.67	14.28	+0.01	5.33

International Currency Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed	3½	£32.89	32.89	33.88	+0.06	–
US Dollar Managed	3½	$31.35	31.35	32.48	-0.01	–
Sterling	0	£29.65	29.65	29.65	+0.01	4.65
US Dollar	0	$40.15	40.15	40.15	–	1.79
Deutschemark	0	DM70.46	70.46	70.46	-0.01	6.09
Japanese Yen	0	Y5151	5151	5151	–	1.83
Swiss Franc	0	SFr52.70	52.70	52.70	–	3.59
Irish Punt	0	I£25.84	25.84	25.84	–	5.45

Lloyds Bank (CI) U/T Mgrs.

PO Box 195, St Helier, Jersey 0534 784242

Lloyds Tst. Gilt	3½	£10.370	10.390	10.760	–	7.43

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

Intl Credit Portfolio	6	£1.2414	1.2414	1.3163	[illegible]	0.09
Gilt	3	£1.0058	1.0058	1.0371	[illegible]	7.71

Prudential Fund Managers (Jersey) Ltd

PO Box 103, St Helier, Jersey 0534 70000

Prudential Currency Fd (Formerly Vanbrugh Currency Fd)

Income (A & B)	5	212.5	212.5	223.2	+0.4	3.36
Growth (C & D)	5	320.1	320.1	338.2	+0.7	–

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 27441

Govt Secs Fd	4	56.08	56.08	58.39	(z)	7.54

Standard Bank Fund Mgmt (Jersey) Ltd

PO Box 583, St Helier, Jersey CI 0534 67557

International Bond	3	$-	15.99	18.88	+0.01	4.50
Sterling Bond	3	£-	9.941	10.28	-0.01	6.42
Sterling Cap	1	£-	42.72	42.74	+0.01	5.30

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 503002

TSB Offshore Investment Fund Ltd

Stg Deposit Class	3	101.60	101.60	104.65	+0.02	5.00
Gilt & Fixed Interest	3	119.45	119.45	123.80	+0.17	7.48
Blue Chip & Gilt Edged	5	60.40	60.40	63.50	+0.42	3.50
International Bond	5	137.44	137.44	144.58	+0.28	4.01
UK Equity	5	263.23	262.04	275.83	+1.18	1.25
International Equity	5	183.34	185.96	195.73	+1.75	0.35
Far Eastern	5	172.73	176.06	185.32	+1.10	0.00
European	5	131.43	132.20	139.15	+2.37	0.00

Banque Scandinave a Luxembourg SA

16 Boulevard Royal, L-2449, Luxembourg

Scandifunds

Scandifund Equity Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Int. Acc.	5	$-	16.3	17.13	+0.07	3.17
Equity Global	5	$-	1.46	1.54	+0.01	–
Equity Natural Res.	5	$-	1.11	1.18	+0.01	–
Equity Japan Acc	5	Y-	108.29	113.71	+0.11	–
Equity UK	5	£-	1.39	1.46	+0.01	–
Equity Nordic	5	$-	1.23	1.3	+0.02	–
Equity North America	5	$-	1.93	2.04	+0.01	–
Equity Mediterranean	5	$-	0.86	0.91	---	–
Equity Cont Europe	5	$-	1.44	1.52	+0.01	–

Scandifund Far East

Far East Global	5	$-	3.49	3.67	+0.01	–

Scandifund Bond Fund

Bond Int. Acc	1	$-	12.32	12.48	+0.02	6.84
Europe Bond Acc	1	$-	1.51	1.54	–	7.15
Bond DEM Acc	1	DM-	1.24	1.28	–	6.64
Bond USD Acc	1	$-	1.42	1.44	+0.01	6.79
Bond Swedish Acc	1	SKr-	16.87	18.04	+0.02	10.79

Scandifund International Sicav

Intl Emerging Markets	5	$-	1.07	1.13	+0.01	–

Barclays Diversified Portfolio

14 rue Aldringen L-1118 352 4799 2939

IPB Deutschmark Reserve	DM-	31.45	–	–	–
IPB Sterling Reserve	£-	10.40	–	–	–
IPB Swiss Franc Reserve	SFr-	30.60	–	–	–
IPB US Dollar Reserve	$-	20.39	–	–	–
IPB European Bond	Ecu-	17.81	–	–	–
IPB North American Bond	$-	21.36	–	–	–
IPB Espana	Pta-	2810	–	–	–
IPB Europe	Ecu-	18.47	–	–	–
IPB Japan	$-	28.16	–	–	–
IPB Pacific Rim	$-	22.94	–	–	–
IPB United Kingdom	£-	10.97	–	–	–
IPB United States	$-	21.25	–	–	–

Barclays Inv Funds (Luxembourg)

41 Avenue de la Gare L-1611 010 352 404344

Equity Funds

European Equity	5¼	$-	0.930	0.980	+0.012	0.3
Intl Equity	5¼	£-	1.460	1.580	+0.008	0.5
North Am Eqty	5¼	$-	24.29	26.40	+0.430	0.3
Pacific Eq	4¾	$-	6.276	6.673	+0.014	0.5
UK Equity	5¼	£-	1.118	1.188	+0.009	2.8

Bond Fund

International Bond	3½	$-	98.54	104.07	+0.059	5.3

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Late falls for peseta and krone

THE SPANISH peseta, Portuguese escudo and Danish krone came under strong selling pressure in the European afternoon yesterday, as dealers remained concerned that the Bundesbank might not cut its official interest rates at its council meeting tomorrow, *writes James Blitz*.

The French franc remained relatively calm inside the exchange rate mechanism. But dealers wondered how the market – and particularly the fund manager community – might respond if the Bundesbank did not cut the discount rate by 1 percentage point at its last council meeting before the summer.

For the second day running the market did little in anticipation of the Bundesbank's move. The French franc weakened slightly against the D-Mark to close at FFr3.416 from a previous FFr3.414.

The main event in the ERM yesterday was the peseta's fall to the bottom of the currency grid, as speculators went short of the currency. The Spanish currency bottomed out at Pta80.90, prompting a rise in the country's overnight lending rates to 13.50 per cent from 12.95 per cent the previous day. The currency later recovered to close at Pta80.15.

Underming the peseta was the belief that the Spanish government was unwilling to sustain high interest rates for much longer.

At the weekend, Mr Felipe Gonzalez, the Spanish prime minister, was reported as saying that his economic priorities were "first: jobs, second: jobs and third: jobs."

Adding to the uncertainty were rumours that Spanish unemployment would be confirmed at 22 per cent in the second quarter from 21.7 per cent in the first.

The fall in the peseta prompted more falls for the Potuguese escudo and Danish krone. The Danish currency fell to about DKr3.8930 at the end of the day having been at DKr3.8915 at the start of trading.

Sterling fell back sharply yesterday after the Confederation of British industry produced a gloomy survey of manufacturing industry showing that weakening export markets put the recovery at risk.

After a powerful performance on Monday, sterling lost 2 pfennigs yesterday to close at DM2.5700. Against its Exchange Rate Index, the pound lost 50 basis points on the day to close at 81.5.

The setback for the UK currency may partly have been due to difficulties breaching the DM2.59 level, which marked the pound's high point since September of last year. However, Mr Neil MacKinnon, chief currency strategist at Citibank, believes an appreciation to DM2.65 is possible, especially if the ERM crisis drags on.

The dollar remained resilient against the D-Mark, despite a monthly drop in US consumer sentiment in July from 58.6 to 57.7. The dollar closed at DM1.7255 against the D-Mark from a previous DM1.7245.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.18802	-0.40	2.07	40
Irish Punt	0.808628	0.805984	-0.33	2.00	33
D-Mark	1.94964	1.94615	-0.18	1.85	38
Belgian Franc	40.2123	40.3238	0.28	1.38	6
Portuguese Escudo	192.854	194.908	1.07	0.59	-18
Spanish Peseta	154.250	156.184	1.24	0.42	-22
French Franc	6.53883	6.64520	1.63	0.04	-66
Danish Krone	7.43679	7.56069	1.67	0.00	-67

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
118	-	-	-	-	0.10	0.57
119	-	1.43	-	0.01	0.23	-
120	0.30	0.71	1.20	0.15	0.53	1.25
121	0.04	0.28	-	-	-	-
122	-	0.10	0.49	-	-	-
Open Int	21,362	134,628	55,464	33,629	177,547	40,432

Estimated volume 24,132 † Total Open Interest 495,842

† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4900	1.4861	1.4797	1.4722	1.4613

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Focus on sterling

WITH money market dealers awaiting the results of tomorrow's Bundesbank council meeting, the focus in interest rate markets turned to sterling and hopes of another cut in base rates before the end of the year, *writes James Blitz*.

On Monday, there had been a little more speculation of a cut in UK base rates as the pound came close to touching DM2.60 against the D-Mark.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Yesterday, the currency suffered a sharp setback, but interest rate cut hopes were kept alive by the slightly gloomy economic forecast from the Confederation of British Industry.

In its quarterly survey of industrial trends, the CBI said that there had been a weakening of the UK's export markets in Europe, which might weaken the recovery.

This led to new speculation that Mr Kenneth Clarke, the UK chancellor, might cut UK base rates in his winter budget. The monthly monetary report from the Treasury also confirmed that inflation was far from imposing any danger to the UK economy.

The main response to this news came in the futures market, where the December short sterling contract rose 2 basis points, but later fell back to close at 94.40, 1 basis point up on the day. The September contract closed up 2 basis points at 94.17.

Although 3-month money in the sterling cash market was unchanged at 6 per cent, there was a sloping of the yield curve further out. The 1 year rate closed down 1/16 per cent on the day at 5⅞ per cent. There was a tiny shortage of £200m.

In Europe, all eyes remained firmly fixed on tomorrow's Bundesbank council meeting, with few new clues on how the council will vote.

The Bundesbank announced that it would be holding a variable rate repo for 14 days at variable bid rates. One-day T-Bills continue to be sold at 7.0 per cent. This underlined expectations that the repo rate might come down 15 basis points to 7 per cent. Both the September and December Euromark contracts were unchanged at 93.39 and 93.98.

French markets were also quiet. The September and December French franc contracts were unchanged as the French franc remained stable in the exchange rate mechanism. Although French 3 month money hovered around 9 per cent, the spread between the bid and offer rates narrowed to 50 basis points.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jul 27)	3 months US dollars		6 months US Dollars	
	bid 3 5/16	offer 3 7/16	bid 3 7/16	offer 3 9/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.16	Three year	4.54
Broker loan rate	5	Two month	3.03	Five year	5.25
Fed.funds	3 1/16	Three month	3.16	Seven year	5.57
Fed.funds at intervention.	-	Six month	3.34	10-year	5.92
		One year	3.60	30-year	6.69
		Two year	4.21		

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	July 26	July 23	July 22	July 21	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3567.70	3546.74	3525.22	3555.40	3567.70 (26/7)	3241.95 (20/1)	3567.70 (26/7/93)	41.22 (2/7/32)
Home Bonds	107.49	107.48	107.82	107.66	107.82 (22/7)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1584.60	1592.45	1575.98	1573.21	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	248.68	247.10	246.84	245.84	248.68 (26/7)	217.14 (8/1)	248.98 (26/7/93)	10.50 (8/4/32)

DJ Ind. Day's High 3584.74 (3569.37) Low 3541.43 (3509.17) (Theoretical♠)
Day's High 3571.05 (3548.42) Low 3546.74 (3524.38) (Actual♠)

STANDARD AND POOR'S

	July 26	July 23	July 22	July 21	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	449.09	447.10	444.51	447.15	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	509.36	507.33	504.36	507.61	524.99 (10/3)	498.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	45.79	45.50	45.13	45.54	46.67 (13/4)	39.89 (8/1)	46.57 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.88	247.46	246.35	247.60	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	433.76	432.05	431.36	433.31	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	704.55	700.24	695.52	700.08	712.49 (14/7)	645.87 (26/4)	712.49 (14/7/93)	54.87 (31/10/72)

	Jul 23	Jul 16	Jul 9	year ago (approx.)
Dow Industrial Div. Yield	2.93	2.95	2.93	3.17

	Jul 21	Jul 14	July 7	year ago (approx.)
S & P Industrial div. yield	2.55	2.52	2.56	2.68
S & P Ind. P/E ratio	25.09	25.37	24.89	28.50

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Chase Man	4,524,200	32⅛	+ ½
Shanghai Pet	4,483,700	20¼	—
IBM	3,916,300	42¼	- ⅛
RJR Nabisco	3,581,500	5½	—
Telefonos	3,002,700	50⅞	+ ¼
Am Express	2,741,300	33⅝	+ 1
Citicorp	2,253,700	32½	+ ⅛
Merck	2,238,300	32¼	- ½
Brown Ferris	1,757,500	24⅝	- 1⅛
Sunshine Min	1,719,300	3	+ ⅛

TRADING ACTIVITY

† Volume Millions	July 26	July 23	July 22
New York SE	222.579	218.065	248.085
Amex	15.938	14.730	17.608
NASDAQ	226.146	237.579	256.823
NYSE			
Issues Traded	2,588	2,580	2,579
Rises	1,225	1,023	769
Falls	758	873	1,207
Unchanged	605	684	603
New Highs	84	50	69
New Lows	33	39	43

CANADA

TORONTO	July 26	July 23	July 22	July 21	1993 HIGH	1993 LOW
Metals & Minerals	2883.27	2854.62	2838.87	2847.75	3020.46 (2/7)	2743.31 (21/1)
Composite	3869.50	3830.30	3838.50	3867.38	3897.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1840.59	1830.96	1820.96	1838.01	1939.10 (25/6)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	July 27	July 26	July 23	July 22	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1814.9	1795.7	1806.8	1802.6	1816.50 (21/7)	1495.00 (13/1)
All Mining (1/1/80)	841.3	822.7	836.4	835.6	856.70 (12/7)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	391.33	385.61	376.94	371.46	391.33 (27/7)	308.26 (14/1)
Traded Index (2/1/91)	976.12	962.42	936.90	923.25	976.12 (27/7)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1301.49	1307.18	1307.02	1301.65	1331.53 (15/7)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	309.51	310.39	310.02	310.97	314.85 (30/6)	267.90 (4/1)
FINLAND						
HEX General (28/12/90)	1251.0	1228.4	1225.2	1240.7	1258.40 (21/7)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	549.42	547.68	541.66	536.92	549.42 (27/7)	471.24 (13/1)
CAC 40 (31/12/87)	1998.11	2006.22	1995.04	1985.72	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	715.20	716.22	708.18	707.24	716.22 (26/7)	588.92 (14/1)
Commerzbank (1/12/53)	2033.6	2035.8	2017.1	2011.6	2035.80 (26/7)	1694.30 (14/1)
DAX (30/12/87)	1845.23	1854.52	1830.83	1823.52	1854.52 (26/7)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6865.98	6858.08	6750.33	6760.02	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1629.85	1624.33	1619.47	1628.70	1639.76 (15/7)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	558.68	549.33	550.17	552.57	561.74 (20/7)	446.33 (8/1)
MIB General (4/1/93)	1227.0	1211.0	1213.0	1218.0	1238.00 (20/7)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	19891.39	19822.08	19734.57	20115.81	21076.00 (3/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1625.45	1615.55	1609.33	1634.29	1676.13 (3/6)	1250.06 (25/1)
2nd Section (4/1/68)	2204.30	2201.51	2207.87	2232.07	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	755.57	758.35	757.65	759.76	761.80 (21/7)	614.28 (13/1)
NETHERLANDS						
CBS Tt.Rtn.Gen.(End 1983)	358.1	355.4	352.1	351.3	356.10 (27/7)	286.70 (4/1)
CBS All Shr (End 1983)	233.7	233.2	231.1	230.5	233.70 (27/7)	188.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	859.28	853.33	847.44	847.48	859.28 (23/7)	568.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1738.38	1704.10	1715.78	1708.85	1738.38 (27/7)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	453.86	454.63	450.21	448.42	468.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1917.0♥	1853.0	1863.0	1812.0	2092.00 (7/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4512.0♥	4515.0	4527.0	4548.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	750.48	745.07	741.81	746.58	777.25 (8/8)	605.93 (8/3)
SPAIN						
Madrid SE (30/12/85)	262.35	261.64	260.40	258.99	264.92 (22/6)	215.80 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1173.2	1171.2	1154.5	1145.7	1173.20 (27/7)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1034.8	1032.2	1020.2	1020.2	1046.60 (13/7)	904.60 (11/1)
SBC General (1/4/87)	821.6	818.8	808.4	807.4	827.90 (13/7)	678.70 (11/1)
TAIWAN						
Weighted Price (30/6/66)	4070.44	4083.87	4027.58	3932.15	5013.28 (7/4)	3068.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	893.14	890.54	894.07	887.44	898.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	571.4*	569.4	565.8	566.8	576.30 (3/6)	498.60 (13/1)
Euro Top-100 (26/6/90)	1047.52	1045.58	1036.19	1031.47	1047.52 (27/7)	862.73 (13/1)

Saturday July 24: Taiwan Weighted Price, 4090.42; Korea Comp Ex. 741.83.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, July 27, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	5.5m	17	-1	Nippon Steel	2.1m	369	+3
Sumitomo Mtl Min	3.1m	1,040	+20	Nippon Kayaku	2.0m	884	+21
Gunma Bank	3.0m	1,230	-20	Kawasaki Steel	2.0m	340	+3
Sumitomo Mtl Ind	2.3m	324	+1	Mitsubishi Hvy	2.0m	652	+5
Hitachi	2.1m	838	+3	Takasago Inf Co	1.9m	805	+1

4 pm close July 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	68	110	13⅝	13⅜	13⅜	-¼
29⅜	20	A L Labs A	0.18	0.7	42	474	25⅝	23¾	24⅛	-1¼
63⅞	54⅝	AMP Inc	1.60	2.6	21	461	60⅞	60⅜	60½	-⅜
72¼	55½	AMR			16	4307	65⅝	64	64⅜	-¾
2¾	1¾	ARX			15	64	2⅝	2½	2½	-⅛
51½	29⅞	ASA	2.00	4.2	31	875	47¾	47	47⅝	+⅛
30¾	22⅝	Abbott Lab	0.68	2.7	16	10327	25¾	25½	25½	-⅛
12⅝	9⅞	Abitibi Pr	0.50	5.0	4	76	10	10	10	
14¼	8¼	Acclaim Ent			231	105	14⅛	13⅞	13⅞	-¼
32	25½	ACE Ltd	0.40	1.4		176	28¾	28⅛	28⅛	-⅜
12	10¾	ACM Gvt In	0.96	8.3		298	11⅝	11½	11⅝	
10	9⅛	ACM GvOpp	0.80	8.0		126	u10	9⅞	10	
9⅞	8¾	ACM Gvt Sp	0.80	8.4		331	9⅝	9½	9½	
11⅝	10½	ACM Gvt Se x	0.96	8.7		903	11¼	11	11	-¼
11⅝	9⅝	ACM Man	1.09	9.7		143	11¼	11⅛	11⅛	-⅛
9⅜	8⅝	ACM Managd	0.72	7.9		30	9¼	9⅛	9⅛	-⅛
12⅜	7¾	Acme Cleve	0.44	4.2	14	117	11	10½	10½	-½
9¼	6½	Acme Elect			262	12	7⅞	7⅞	7⅞	+⅛
24¾	18⅝	Acordia	0.44	1.9	13	177	23⅜	23	23⅛	-¼
16	10⅝	Acuson			14	320	13	12½	12⅝	-¼
22¼	19⅝	Adams Expr	0.48	2.3	1	63	20⅝	20½	20⅝	+⅛
66	45½	Ad Micro	3.00	5.5		13	55⅛	54¼	54¼	-¾
32¾	17⅝	Ad Micro P	3.00	12.3	9	2769	24¾	24⅛	24⅜	-¼
7¾	5½	Advest Grp	0.16	2.8	9	132	5¾	5¾	5¾	
24¾	17¾	Advo Inc	0.08	0.4	19	50	18	18	18	
49⅛	41⅛	Aegon ADR	2.95	6.6	9	35	44½	44½	44½	+¾
59⅞	43⅞	Aetna Lf	2.76	4.8	148	1529	58½	57⅞	57¾	-⅛
14½	11½	AHI A	0.26	1.8	30	3009	14¼	14⅛	14⅛	

Continued on next page

NYSE COMPOSITE PRICES

4 pm close July 27

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close July 27

[illegible]

AMEX COMPOSITE PRICES

4 pm close July 27

[illegible]

AMERICA

Dow edges lower in spite of IBM rebound

Wall Street

US share prices edged lower from their record highs yesterday in spite of a rebound in IBM shares after the computer group's second quarter results were released, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 8.66 lower at 3,559.04. The more broadly based Standard & Poor's 500 was down 1.48 at 447.61, while the Amex composite was up 0.36 at 434.12, and the Nasdaq composite down 3.61 at 700.93. Trading volume on the NYSE was 148m shares by 1 pm.

Analysts expected some early losses following Monday's record-breaking rise in the Dow, when the leading average finished the day at an all-time high of 3,567.70. In spite of the record, the markets remain jittery, as indicated by the failure of other indices to match the Dow's performance, and by the early selling yesterday. This repeated the recent pattern of quick profit-taking on the day after a solid rise in share prices.

The day's main economic news – a small decline in the Conference Board's July consumer confidence index – was not good for market sentiment; but it had little impact upon prices because it had been forecast, and because the attention of investors and dealers was primarily concentrated on IBM's results, which were released during the morning.

IBM announced a second quarter loss of $8bn, or $14.10 a share, after taking a big charge against earnings to cover job cuts and plant closures. IBM also unveiled a dividend cut. In the days running up to the announcement, IBM's stock had fallen in expectation of a huge loss, further restructuring, and a dividend reduction.

IBM's operating income, before the charge, was better than expected, which explained why investors greeted the results with a steady stream of buying. By early afternoon IBM was up $2¾ at $45⅛.

There were notable declines elsewhere in the same sector. Data General fell $⅝ to $8¼ on news that losses at the mini-computer manufacturer widened in its fiscal third quarter to $16.4m because of continued weak sales of its proprietary computer products.

Stratus Computer tumbled $4 to $25¼ after unveiling flat second quarter earnings, and warning that its full-year 1993 earnings would come in below the 1992 level.

USX-US Steel fell $1⅞ to $34⅞ after reporting a large loss for the second quarter following a charge taken to cover the costs of litigation related to its former rail unit.

On the Nasdaq market, Novell dropped $2⅞ to $18⅛ as investors reacted to Monday's late warning that its third quarter income would be lower than income from the second quarter. Aldus rose $1¼ to $17¼ after the company reported a return to profitability after posting a loss a year ago.

BRAZILIAN equities were flat in quiet morning trade in São Paulo after prices rebounded from early losses on concern about government talks on a basic economic agenda. The Bovespa index stood at 61,852 at midsession, with investors awaiting developments at today's cabinet meeting.

Canada

TORONTO posted further gains on strength in the precious metals and forestry sectors, with base metals offering a backup. The TSE-300 index was up 17.93 at 3887.42 by midsession in turnover of C$208.9m. Advancing shares outstripped declines 300 to 198, with 262 issues unchanged.

EUROPE

Bourses easier ahead of Buba meeting

TOMORROW'S Bundesbank meeting, the last until August 26, remained on most investors' minds yesterday, *writes Our Markets Staff.*

There is a view that even if a rate cut does occur the turmoil in the ERM will continue. UBS, in a global strategy paper published on Monday, wrote that "the key question is what amount of easing is needed by the Germans to stabilise the ERM lastingly, in view of the fact that in the past 10 months the German repo rate has fallen by 260 basis points.

"The answer surely is much more than the Bundesbank will be willing to give in the near term and the conclusion must therefore be that an end to the long running ERM crisis cannot be expected from this week's meeting".

While forecasting that the Buba could leave interest rates unchanged tomorrow, the UBS strategists noted that "the risks to this view are steadily increasing as international pressure mounts". UBS suggested that a 25 basis point reduction in the discount rate could happen – anything greater virtually ruled out by the "deterioration in domestic economic conditions" – accompanied perhaps by a 50 basis point cut in the Lombard.

FRANKFURT featured cars and banks as the overall market slipped back slightly after Monday's solid rise. The DAX index closed off 9.29 at 1,845.23 in turnover of DM10bn.

BMW surprised some analysts after announcing a 39 per cent fall in first half net profit and the shares drifted down DM16.50 to DM562.00. Daimler slipped DM2.80, having earlier seen a high of DM694.50, on news that it was to be listed in New York.

Volkswagen eased DM6 to DM348 during the session before rising to DM350.50 in the after market on news that a news conference had been called for today at which the group will comment on the "Lopez affair".

The major banks went against the market trend, Commerzbank up 80 pfg at DM318.80. Deutsche 70 pfg higher at DM744.70 and Dresdner up DM1.80 at DM399.80, on expectations of strong operating gains in forthcoming interim results.

PARIS fell back through the 2,000 barrier in a thin market. Eurotunnel featured with a gain of FFr2.30 or 6.3 per cent to FFr38.60 after the group said that it had reached agreement with TML on completion of the project.

AMSTERDAM was unchanged on the day, the CBS Tendency index closing at 119.2, although there were some steep falls among a number of stocks.

DSM retreated another Fl 1.90 to Fl 94.70 ahead of tomorrow's interim results while KLM slipped Fl 1.20 to Fl 33.00, Philips lost 10 cents to Fl 31.20 as the group said that it was to sell its Magnavox unit.

BRUSSELS saw late selling in what some analysts thought might be the start of a consolidation phase after the recent rally. The Bel-20 index gave up early gains to finish 5.69 lower at 1,301.49.

Ms Rachael Rowe of Kleinwort Benson thought that the market was ready for a correction, noting that the rally had been led by strength in cyclical stocks which were now looking over extended on fundamentals. The Belgian franc was under pressure and there was also some nervousness as the government began to review its 1994 budget plans, she said.

Solvay, opening the interim reporting season today, fell BF200 or 1.6 per cent to BFr12,075 on expectations of a net loss of between BFr500m and BFr1bn, following the collapse of the European bulk chemical industry and restructuring charges.

Clabecq, the steel group, continued to surge ahead, rising BFr130 or 16.3 per cent to BFr930 on continued speculative buying, for a 55 per cent rise over three sessions.

ZURICH encountered profit-taking which left shares off their best levels but the SMI index finished 9.7 higher at 2,398.5, on expectations that interest rates still have some way fall.

Nestlé continued back in favour, adding SFr22 to SFr1,055 in active trading.

MILAN reversed the lower trend of the previous four sessions in volume that picked up strongly after Monday's lull and the Comit index rose 7.35 to 556.68.

The telecommunications sector returned to favour with some large foreign orders driving Sip L100 or 3.7 per cent higher to L2,778 in volume of 14m shares.

Short-covering helped Ferruzzi L31 or 7.9 per cent higher to L421.5 while speculative buying took Montedison L51 or 7.6 per cent ahead to L719 as the committee of leading creditor banks said that their rescue package would be ready by the end of August.

VIENNA was unable to sustain an early 3 per cent advance and the ATX index edged back to finish 13.7 or 1.4 per cent ahead at 967.12.

ISTANBUL fell sharply for the ninth consecutive day and the composite index lost 298.88 to 9,071.42, its lowest level this month.

FT-SE Actuaries Share Indices

July 27 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1240.39	1240.87	1241.86	1242.57	1241.36	1240.62	1238.74	1238.95
FT-SE Eurotrack 200	1296.51	1297.45	1297.84	1297.33	1297.05	1298.06	1297.47	1297.42

	Jul 26	Jul 23	Jul 22	Jul 21	Jul 20
FT-SE Eurotrack 100	1240.21	1224.42	1217.14	1212.75	1224.85
FT-SE Eurotrack 200	1294.91	1279.96	1275.93	1266.97	1275.46

Base value 1000 (26/10/90) High/day: 100 - 1243.08; 200 - 1298.78 Low/day: 100 - 1238.01 200 - 1295.81.

Falling money market rates lift Lisbon stocks

Liquidity is driving Portugal, writes Peter Wise

After a shaky start to the year when Lisbon's Banco Totta e Acores (BTA) index hovered around the 1,700 mark, share prices have rocketed. From a low of 1,707 in mid-May, the index broke through the 2,000 level in June, finishing at 2,186 yesterday.

Since the beginning of the year, the BTA index has climbed 34 per cent, a record bettered only by Turkey. The key to this outstanding rise is money market interest rates, which have fallen sharply, pushing up liquidity and making equities more attractive than other securities.

"What is happening here is very similar to events last year in the US and Europe, when liquidity became the driving force behind markets as interest rates came down," says Mr Joao Oliveira Rendeiro, managing director of fund managers Gestifundo. "This has been particularly true of the last couple of weeks of fast price rises."

Money market rates in Portugal have fallen recently from 17 per cent to around 10 to 11 per cent. The result has been to create a great pool of liquidity in the market and divert investors away from bonds and other securities and into equities.

Short-term economic fundamentals in Portugal are not bright as the country is sucked into the international recession. But Mr Rendeiro believes that investors are looking ahead to what he sees as the growth years of 1994 and 1995.

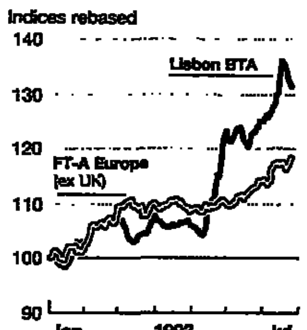
Most of the share market movement is currently being directed by foreign investors who play a dominant role in the Portuguese market. But analysts are encouraged by what they see as a surge in investment by domestic companies as well.

For these reasons, market operators are confident that the outlook for continued price and volume growth in equities, though it is bound to slow, remains bright.

The sectors that are faring well fall mainly into the infrastructure bracket. Portugal will benefit from a high level of EC transfers over the next five to six years that will provide a high level of business to constructors and other infrastructure-related sectors.

Portugal

Indices rebased



Source: FT Graphite

More than sectors, it is individual companies that stand out for their performance. Companies related to the Sonae group, based on distribution and wood products, are faring well, for example. Other distribution companies are also outshining other sectors.

The Portuguese market has now had time to digest the "big bang" of operating and regulatory reforms (the Sapateiro law) which was introduced in September 1991. The operational changes have been successful, with continuous trading in a national market, a private telephone network to facilitate dealing and a computerised national stock registration house.

But dealers find the regulatory side of countless rules and articles on insider dealing, takeovers and mergers, share manipulation and disclosure bureaucratic.

"The Sapateiro law is an enormously bureaucratic book of regulations that makes the red tape costs of being listed among the biggest a company faces," says Mrs Helen Gray de Castro, chair of Papelaria Fernandes and a board member of the parent paper company, Inapa. "To put the Portuguese market in perspective you have to realise that it is thin, superficial and highly bureaucratic," she adds.

Many market operators are also unhappy about new reforms the Finance Ministry is planning that will make it easier to take over a company without having to buy 100 per cent of the capital. The current limit of ownership before a shareholder must launch a bid is 50 per cent.

The government wants to make this 50 per cent excluding indirect holdings. Brokers feel this would make it too easy to take over a company without having to make a bid for all the stock – by buying, for example, 30 per cent of directly owned capital and 30 per cent of indirectly owned capital.

"The government has suffered a lot of negative feedback over this measure," says Mr Rendeiro, "that I feel sure they will withdraw it."

ASIA PACIFIC

Manila equities back at record high

Tokyo

BUYING BY public pension and insurance funds supported share prices, and the Nikkei average closed marginally higher on the final day for July delivery, *writes Emiko Terazono in Tokyo.*

The 225-issue index was up 69.31 at 19,891.39 after a day's peak of 19,952.00 and low of 19,777.48. A higher futures market prompted buying by investment trust funds and index-linked demand by arbitrageurs, but most individual and overseas investors remained on the sidelines.

Volume was below 200m shares for the third consecutive day, totalling 190m shares against 177m. Advances outscored declines by 565 to 339, with 225 issues unchanged. The Topix index of all first section stocks rose 9.90 to 1,625.45, and in London the ISE/Nikkei 50 index gained 0.57 at 1,237.50.

Interest in issues related to Japan Tobacco, the state-owned company, grew as JT applied for listing yesterday. The company is scheduled to offer a third of its outstanding shares early next year. East Japan Railway is due to list its shares in October, while DDI, one of three new telecom companies, is likely to offer its shares in September.

Mr Alan Livsey at Kleinwort Benson said the new listings could become a powerful force for the market. However, some pessimists fear that extra supply at a time when investor confidence is far from restored, and economic fundamentals are weak, may depress share prices.

Nippon Telegraph and Telephone fell Y1,000 to Y889,000 in spite of denials by the finance minister that the government would offer its remaining holding in NTT this fiscal year.

Electric power companies gained ground on dealer-led buying. Tokyo Electric Power rose Y30 to Y3,590. Hopes of credit easing supported banks, with Industrial Bank of Japan firming Y20 to Y3,140 and Bank of Tokyo Y30 to Y1,680.

Sumitomo Realty and Development lost Y14 to Y706 as former officials of Sumitomo Fudosan Finance, a financing subsidiary, and a leader of a speculator group, were arrested yesterday for alleged stock price manipulation.

In Osaka, the OSE average moved ahead 111.57 to 21,953.57 in volume of 11.8m shares.

Roundup

THE Pacific Rim saw some strong performances.

MANILA returned to its record-setting ways as bargain hunting and Philippine Long Distance Telephone's overnight rise in New York cut short Monday's correction.

The composite index moved ahead 34.28 to 1,738.38 as PLDT climbed 25 pesos to 1,095 pesos following its overnight $⅝ rise to $39¼ on Wall Street.

AUSTRALIA was pulled higher by soaring gold stocks, and the All Ordinaries index gained 19.2 at 1,814.9. A return of foreign buyers helped turnover to expand to a hefty A$368.2m.

The gold shares marker surged 104.8, or 5 per cent, to 2,185.8 as bullion recovered to around US$393.30 an ounce.

News Corp jumped 24 cents to A$8.30 in volume of 6.3m shares, after its purchase of 63.6 per cent of Star Television, the Asian satellite broadcaster.

HONG KONG saw profit-taking erase solid early gains after Hutchison's sale of its Star network. The Hang Seng index was finally up 7.89 at 6,865.97 after hitting an early high of 6,924.96. Turnover improved to HK$2.9bn from Monday's HK$2.52bn. Hutchison topped the actives list and added 50 cents at HK$20.40.

NEW ZEALAND advanced to a 40-month high and the NZSE-40 capital index ended 17.04, or 1 per cent, ahead at 1,742.33 in turnover of NZ$34m.

SOUTH AFRICA

GOLD shares maintained early gains in late trading to close appreciably higher, but industrials drifted easier. The golds index advanced 64 to 1,917 and industrials slipped 3 to 4,512. The overall index finished 37 ahead at 4,023.

Pakistan remains firm

PAKISTANI stock prices continued their bullish fervour yesterday, with the KSE-100 index closing 13.17 higher at 1,432.07, *writes Farhan Bokhari in Islamabad.*

The continuing rise is largely the result of last week's devaluation of the rupee, which has improved export prospects for textiles. Almost one-third of the KSE's 652 listed companies are textiles, which have suffered losses during the past year due to sagging exports.

The market's positive sentiment has also come in response to a visit to Washington this week by Mr Moeen Qureshi, the prime minister, who is expected to hold discussions with senior officials at the IMF and World Bank, to clear the way for fresh loans.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 26 1993								FRIDAY JULY 23 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	138.55	−0.6	136.76	93.58	124.22	135.79	−0.8	3.70	139.42	138.08	94.12	124.60	136.82	144.19	117.39	141.33
Austria (17)	159.52	+1.3	157.46	107.75	143.02	143.00	+1.8	1.36	157.44	155.93	106.29	140.71	140.41	159.52	131.16	150.98
Belgium (42)	147.23	−0.2	145.32	99.43	132.00	129.80	+0.3	4.41	147.46	146.04	99.54	131.78	129.46	156.78	131.19	145.74
Canada (108)	124.16	+1.1	122.55	83.85	111.31	115.12	+1.1	2.92	122.80	121.62	82.90	109.74	113.82	130.38	111.41	127.10
Denmark (33)	208.87	−0.1	206.17	141.07	187.26	190.40	+0.1	1.19	209.11	207.10	141.17	186.88	190.27	225.64	185.11	238.61
Finland (23)	95.82	+0.4	94.58	64.72	85.91	117.49	+0.1	1.04	95.42	94.50	64.42	85.28	117.40	100.92	65.50	70.36
France (97)	152.62	+0.2	150.65	103.08	136.82	140.95	+0.5	3.25	152.25	150.78	102.78	136.05	140.25	167.36	142.72	155.84
Germany (60)	116.90	+0.9	115.38	78.96	104.80	104.80	+1.2	2.02	115.89	114.78	78.25	103.57	103.57	117.10	101.59	119.36
Hong Kong (55)	276.00	+1.7	272.43	186.41	247.46	274.79	+1.7	3.45	271.42	268.81	183.23	242.58	270.20	301.61	218.82	235.97
Ireland (15)	157.93	+0.0	155.89	106.67	141.60	158.95	+0.3	3.47	157.90	156.38	106.60	141.12	158.42	170.40	129.28	157.08
Italy (70)	67.91	−0.4	67.03	45.87	60.88	81.35	−0.4	2.00	68.18	67.52	46.02	60.93	81.67	72.82	53.78	61.30
Japan (470)	150.39	+0.5	148.44	101.57	134.85	101.57	+0.5	0.82	149.68	148.24	101.05	133.79	101.05	155.96	100.75	91.87
Malaysia (69)	345.86	−0.1	341.39	233.59	310.08	341.86	−0.1	1.98	346.11	342.78	233.65	309.31	342.11	349.34	251.66	239.86
Mexico (19)	1573.95	+3.8	1553.61	1063.07	1411.15	5372.58	+3.8	0.92	1516.57	1501.97	1023.84	1355.37	5175.05	1725.81	1410.30	1344.35
Netherland (24)	166.51	+0.6	164.36	112.46	149.29	147.39	+1.0	3.73	165.53	163.93	111.75	147.93	146.00	172.75	150.39	158.42
New Zealand (13)	52.45	+0.4	51.77	35.43	47.03	50.43	+0.0	4.42	52.24	51.73	35.27	46.69	50.45	52.94	40.56	46.48
Norway (22)	157.65	+0.6	155.61	106.48	141.34	157.22	+0.7	1.68	156.74	155.23	105.82	140.08	156.10	166.21	137.71	166.86
Singapore (38)	252.82	−0.6	249.56	170.76	226.67	188.39	−0.6	1.83	254.24	251.80	171.64	227.22	189.57	262.72	207.04	203.40
South Africa (60)	204.06	−0.2	201.42	137.82	182.95	200.04	−0.3	2.56	204.54	202.57	138.08	182.79	200.73	211.77	144.72	194.70
Spain (44)	118.07	−0.5	116.54	79.75	105.86	123.84	+0.5	4.72	118.63	117.49	80.09	106.02	123.17	132.82	115.23	136.75
Sweden (36)	172.42	+1.7	170.19	116.46	154.59	205.22	+1.3	1.64	169.49	167.86	114.43	151.48	202.68	184.06	149.70	183.19
Switzerland (50)	126.68	+1.1	125.04	85.56	113.59	119.45	+1.3	1.82	125.30	124.09	84.59	111.99	117.92	129.36	108.91	108.91
United Kingdom (218)	173.81	+0.9	171.57	117.39	155.82	171.57	+0.6	4.04	172.26	170.60	116.28	153.93	170.60	181.99	162.00	178.81
USA (520)	183.83	+0.5	181.45	124.16	164.82	183.83	+0.5	2.79	182.97	181.21	123.53	163.53	182.97	186.27	175.38	167.80
Europe (751)	144.27	+0.7	142.41	97.44	129.35	138.82	+0.7	3.22	143.31	141.93	96.75	128.08	137.86	149.02	133.92	145.01
Nordic (114)	162.41	+1.1	160.31	109.69	145.61	168.99	+0.8	1.47	160.70	159.15	108.49	143.62	167.64	171.77	142.13	172.34
Pacific Basin (714)	153.74	+0.5	151.76	103.84	137.84	108.02	+0.5	1.09	153.03	151.56	103.31	136.77	107.48	159.07	105.89	98.55
Euro-Pacific (1465)	149.74	+0.5	147.81	101.13	134.25	120.83	+0.6	1.93	148.93	147.50	100.53	133.09	120.14	154.05	117.26	117.34
North America (628)	180.12	+0.5	177.79	121.67	161.51	179.16	+0.5	2.80	179.23	177.51	121.01	160.21	178.28	182.38	171.51	165.24
Europe Ex. UK (533)	125.71	+0.5	124.08	84.92	112.73	119.57	+0.8	2.68	125.06	123.85	84.44	111.79	118.64	128.65	112.51	124.40
Pacific Ex. Japan (244)	187.25	+0.4	184.83	126.49	167.90	173.02	+0.4	3.20	186.49	184.69	125.92	166.68	172.42	194.08	152.70	164.42
World Ex. US (1652)	150.32	+0.6	148.38	101.54	134.78	122.83	+0.6	1.96	149.45	148.01	100.90	133.57	122.08	154.27	118.51	119.26
World Ex. UK (1954)	159.24	+0.5	157.18	107.56	142.78	138.61	+0.6	2.10	158.45	156.92	106.97	141.62	137.85	161.34	134.22	130.54
World Ex. So. Af. (2112)	160.35	+0.5	158.28	108.31	143.77	141.19	+0.6	2.27	159.48	157.94	107.67	142.54	140.40	162.74	137.29	134.36
World Ex. Japan (1702)	167.87	+0.6	165.70	113.39	150.53	164.15	+0.6	2.94	166.92	165.32	112.70	149.20	163.21	170.05	157.47	158.50
The World Index (2172)	160.54	+0.5	158.47	108.44	143.95	141.69	+0.6	2.28	159.69	158.15	107.81	142.72	140.91	162.86	137.32	134.71

Constituent change 27/7/93: Name change: Pittston to Pittston Services Group (USA). Latest prices were unavailable for this edition.